FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Pope braves the political tensions of Chile, Page 28

World news | Business summary

Van Gogh Sunflowers sold for £24.7m

Vincent Van Gogh's celebrated masterpiece "The Sunflowers" was sold for a record £24.75m ($39.6m) for a painting, auctioneers Christie's in London said. The buyer's premium amounted to £2.25m.

Two bidders battled for the canvas, with the final sale price breaking a previous record auction price of £8.1m for Mantegna's "Adoration of the Magi."

The unsigned Van Gogh was done in 1889, one of seven studies of sunflowers painted by the Dutch artist who committed suicide in 1890.

Election setback

The withdrawal of Louis Nel, the former South African Deputy Information Minister, as a National Party candidate only hours after the apparent suicide of John Wiley, the Minister for Environmental Affairs, has given another shock to a ruling National Party leadership facing an electoral challenge from both left and right. Page 28

Missile impasse

The impasse over short-range nuclear missiles in which the US-Soviet talks on removing intermediate nuclear (INF) forces from Europe have become bogged down can only be overcome by a decision at the top political level, Western officials in Geneva said. Page 2

Palestinian protest

Palestinian shopkeepers closed their shops and Arab youths stoned Israeli cars in the occupied West Bank during protests staged to commemorate Israel's confiscation of Arab land.

Oil trial begins

Tension and drama surrounded the opening day in Madrid of the trial of businessmen and entrepreneurs accused of the manufacture and distribution of adulterated rapeseed oil six years ago that allegedly caused widespread deaths and illness. Page 2

Argentine bomb

A bomb ripped through the offices of Argentina's trade union confederation in the southern city of Bahia Blanca and damaged most of the building's first floor, police spokesmen said.

Aegean 'opportunity'

Prime Minister Turgut Ozal said Turkey's latest row with Greece over oil rights in the Aegean Sea showed the need for talks and "an opportunity has emerged for this."

Seamen feared dead

Ten seamen were presumed dead after their Spanish trawler sank 200 miles north-west off the Canary Islands. A French cargo ship picked up two survivors from the Calpe Quintans in freezing temperatures and heavy seas.

Refugees strike

Twenty-five refugees from Turkey, Chile and Kurdistan began a six-day hunger strike in Zurich aimed at highlighting the plight of asylum seekers ahead of a referendum on Switzerland's asylum laws on April 5.

Chile protest

Chilean demonstrators took to the streets of Santiago on the eve of a papal visit, in protest against human rights abuses by the military government of General Augusto Pinochet. Pope treads sensitive ground, Page 28

Honecker hint

East German leader Erich Honecker hinted he might be willing to compromise over complex issues of Berlin's status to clear the way for a key visit by West Berlin Mayor Eberhard Diepgen.

Shearson Lehman offering detailed

AMERICAN EXPRESS filed details of its public offering of an 18 per cent stake in Shearson Lehman Brothers, the third largest investment bank on Wall Street. Page 59

WALL STREET: The Dow Jones industrial average closed 57.39 down at 2,278.41. Page 52

LONDON: The weak dollar and Wall Street's heavy opening fall sent equity prices into their largest recorded index point fall. The FT-SE 100 index lost 48.1 to 2,2002.5 and the FT Ordinary index closed 38.4 down at 1,582.2. Gilts closed over a point lower. Page 52

TOKYO: The yen's appreciation and the US decision to take trade measures against Japan caused prices to suffer their second largest fall in history. The Nikkei average lost 550.45 to 21,628. Page 52

DOLLAR closed in New York at DM 1.8000; SFr 1.5015; FFr 6.000; and Y146.22. It fell in London to Y146.35 (Y147.65); to DM 1.8045 (DM 1.8235); to SFr 1.5060 (SFr 1.5195); and to FFr 6.01 (FFr 6.0675). Page 45

STERLING closed in New York at $1.6060. It rose in London to $1.6105 ($1.6030); but fell to DM 2.9050 (DM 2.9225); to (Y236.75); to SFr 2.4250 (SFr 2.4350); and to Fr 9.69 (FFr 9.7250). The pound's exchange rate index fell 0.1 to 71.6. Page 45

GOLD rose $7 to $423.75 on the London bullion market. In Zurich it also rose to $422.25 ($417.25). Page 44

FINANCIAL CORPORATION of America (FCA), parent of American Savings and Loan Association, one of the biggest savings and loan in the US, has confirmed widespread rumours that it has been talking to possible buyers of the troubled thrift. It refused to name the parties involved.

DEUTSCHE Bank, the largest bank in West Germany, is to pay a DM 5 ($2.77) bonus to shareholders on top of a maintained DM 12 per share dividend, because of the sharp jump in 1986 profits resulting from the flotation of the former Flick industrial empire. Page 29

BASF, the big West German chemicals group, reported a sharp drop in group profits for the whole of last year, but said that business was expected to develop satisfactorily in coming months. Page 29

ARBED, the Luxembourg-based steel producer, unveiled an expected decline in profits and sales and announced that it had reached agreement with the Government and the unions on major job cuts. Page 29

SAIPEM SpA, the Italian state oil, gas drilling and pipelaying company, which is controlled by the ENI state energy concern, suffered a 22 per cent drop in its 1986 net profit to L51.6bn ($39.7m).

MANNESMANN, the big West German steel pipes and engineering group, won a three-month battle to take control of Fichtel & Sachs, one of the country's biggest motor component groups, for an undisclosed sum. Page 29

SNIA BPD, the Italian fibres, munitions and chemicals group which is under the effective control of Fiat, recorded a decline in its 1986 net profit of 28 per cent to L68bn ($52.3m). Page 29

HUDSON'S Bay Co., the debt-burdened Canadian retail and property group, is to sell its wholesaling business to a private investment group as part of a strategy to concentrate on its department store and real estate interests. Page 30

LEGAL battle is likely over control of Usego-Trimerco Holding, a leading Swiss retail group, following the announcement that the Zurich-based Denner group now owns a majority shareholding. Page 30

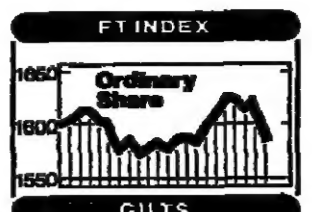
BRITISH Satellite Broadcasting, UK direct broadcasting by satellite franchise holder, is near completion of its first stage financing of £200m. Page 9

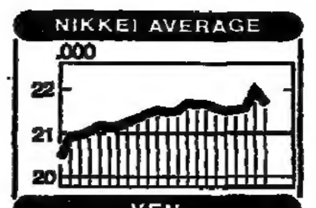
CAPACITY at the Round Mountain Mine in Nevada, the world's biggest heap-leach gold producer, is to be doubled at a cost of $140m. Page 30

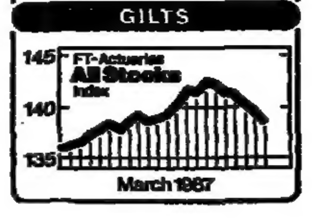
World markets fall as trade tensions mount

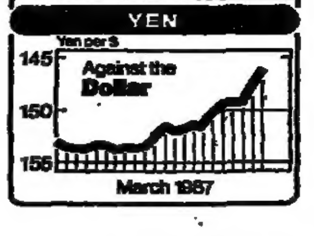
BY OUR ECONOMICS AND FOREIGN STAFF

Mr Yasuhiro Nakasone









MOUNTING concern about the durability of the Paris accord on stabilising currencies amid increasing trade friction between the US and Japan sent the dollar to another post-war low against the yen yesterday and provoked massive selling on world equity and bond markets.

The plunging dollar and Washington's retaliation against Japanese semiconductor trade has raised a broad range of fears from higher inflation, greater protectionism, a cooling of foreign – particularly Japanese – enthusiasm for US stocks and bonds and, in the longer-term, the possibility of sharply reduced economic growth and profits.

In Tokyo, the dollar fell to a low of Y144.70 before recovering slightly to close at Y146.20. The Bank of Japan bought an estimated $2.5bn to $3bn of dollars and a series of supportive statements were made by government leaders.

In a clear attempt to stabilise the dollar, Mr Kiichi Miyazawa, Japan's Finance Minister, yesterday announced there would be a meeting of the Group of Five leading industrial nations next Wednesday in Washington to discuss instability on foreign exchanges.

Other monetary officials from G5 nations were more reticent about whether the G5 will be meeting formally. However, as the five will be in Washington for the interim committee meeting of the International Monetary Fund, it seems likely that they will take the opportunity to meet, at least informally, before joining Canada and Italy for a G7 meeting.

Mr Miyazawa said that no major changes in Japan's economic fundamentals had occurred to justify the dollar's recent plunge. He added that he expected to see some change in the currency markets in early April, attributing the dollar's weakness now to selling before the end of the fiscal year today.

He said Japan, in concert with the US and European governments would continue vigorous market intervention to prevent the yen from rising further. He also said he believed that the US Federal Reserve was concerned about a situation in which the US currency could stage a free fall.

In a rare comment on the exchange rate, Mr Yasuhiro Nakasone, the Prime Minister, told a parliamentary budget committee meeting yesterday that a rate of more than Y150 to the dollar should be maintained under the agreements made in Paris in late February.

One European monetary official expressed surprise about the specific nature of Mr Nakasone's statement and said all the comments emerging from Japan "smacked of desperation." There is no doubt that there is increasing frustration in Japan which is looking more isolated than ever on trade issues and in its attempt to stop the inexorable rise of the yen against the dollar.

Trading in Europe and the US was quiet as dealers anticipated the kind of co-ordinated central bank intervention which was seen daily last week. This did not materialise.

In London, the dollar ended yesterday at Y146.35 compared with Friday's closing Y147.65 and was also weaker against the D-Mark at DM 1.8045 after DM 1.8235.

The overriding fear in the foreign exchange market is that the US Administration is prepared to see the dollar fall further in order to put pressure on Japan not only to implement plans to boost its economy as quickly as possible but also to address critical trade issues with the US.

Share prices had tumbled in Tokyo in heavy volume and then the wave of selling hit London and New York.

London saw the largest daily fall recorded in equity market indices and losses of up to 1½ points in UK Government bond prices as the falling dollar provoked fears of higher US interest rates.

Prices on the equity market had been marked down at the outset but then fell further as prices started collapsing on Wall Street. After steadying towards the end of the session, the FT-SE 100 index closed 46.1 down at 2002.5, while the FT ordinary index finished 38.4 lower at 1582.2.

The London market had already lost some of its shine as post-Budget opinion polls made a Conservative victory in the next general election less of a foregone conclusion.

Wall Street was hit by an avalanche of sell orders as trading opened, with pessimistic foreign investors in the thick of the action. Stock and bond prices plunged in the first hour before finding enough support to stage a partial recovery in mid morning.

Very few market analysts were prepared immediately to call yesterday's turmoil the start of a sharp setback after the spectacular rally equities had enjoyed so far this year.

Some analysts speculated that, in deciding to take the trade action against Japan, US officials had failed to take into account the danger of adverse reaction in financial markets.

Lex, Page 28; money markets, Page 41; markets, Page 52

Plain speaking from Thatcher and Gorbachev

BY PETER RIDDELL AND PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, and Mrs Margaret Thatcher, the UK Prime Minister, yesterday vigorously restated their contrasting approaches to arms control and human rights during nearly seven hours of talks and a two-hour banquet at the Kremlin, though in a spirit of openness intended to improve Soviet-British relations.

There was no attempt to play down differences reflected in the leaders' toughly-worded speeches. As expected there were no decisions and no communique.

Mr Gorbachev expressed caution about the prospects for removing medium range missiles from Europe while Mrs Thatcher, noting that this was a matter to be negotiated in Geneva, stressed the problem of the imbalance of shorter range nuclear missiles and the US desire for a right to match the large superiority of the Soviet Union in this area.

She also urged the US to offer reassurance about the timetable of its star wars research programme and the commitment not to withdraw from the anti-ballistic missile treaty in order to help the discussions on cuts in strategic weapons succeed.

The marathon discussions yesterday appear to have been conducted in a personally friendly manner. A British official said both leaders spoke their minds without hostility. He said, "It think they just enjoy having a good argument." The talks went on so long that a plenary session with both countries' foreign secretaries had to be cancelled and Mrs Thatcher went on to dinner in the Kremlin without changing.

The more co-operative tone hoped for in Soviet-British relations will be market today by the signing of four bilateral accords, including one on cultural exchanges of theatrical and pop music groups. One or two major trade deals may also be announced.

France is considering expelling one or more Russian diplomats after implicating the Soviet embassy in Paris in the establishment of an industrial espionage network to gather data about the Ariane space rocket and other sensitive industries. Page 28

To the annoyance of some of her Soviet hosts Mrs Thatcher will today signal her concern with human rights by meeting among others Dr Andrei Sakharov, the leading Soviet scientist recently released from internal exile. She raised the issue of exit visas from the Soviet Union in yesterday's talks and Sir Geoffrey Howe, Foreign Secretary, separately provided a list of over 100 such cases.

At last night's banquet, however, Mrs Thatcher invited Mr Gorbachev and Mr Nikolai Ryzhkov, the Soviet Prime Minister, to visit Britain soon.

Mr Gorbachev, in a tough and pessimistic speech, strongly underlined Soviet concern that an agreement on removing medium-range nuclear missiles from Europe was becoming more and more complicated.

"What we see is a whole new package of additional conditions and demands being set before the Soviet Union concerning the problems of medium-range missiles," Mr Gorbachev said. "We see the Nato countries gradually slipping away from their own 'zero option' position".

In a reference to the visit of Mr George Shultz, the US Secretary of State, to Moscow in April 13 he

Continued on Page 28

Burnishing the image, Page 2

Murdoch to pay $300m for New York publisher

BY ANATOLE KALETSKY IN NEW YORK

HARPER & ROW, the New York publishing company which was put "in play" at the beginning of this month by a $141m bid from Mr Theodore Cross, a private publisher and investor, is to be taken over for $300m by Mr Rupert Murdoch's News Corporation.

News Corporation's offer of $65 for each Harper & Row share has been unanimously recommended by Harper's board. Assuming that the acquisition is completed, it will make News Corporation one of the biggest international forces in book publishing.

As well as being the leading newspaper publisher in the English speaking world, and the fourth-largest US television broadcasting company, News Corporation currently owns a controlling stake in William Collins, one of the biggest book publishers in the UK.

News Corporation said that Collins might eventually acquire an equity stake in Harper & Row as part of this transaction and might "participate substantially" in Harper's management.

Both Harper and News stressed yesterday that the link with Collins, which had co-operated with Harper & Row on numerous international publishing ventures, was one of the major attractions of this deal.

The agreement with News Corporation comes after a rapidly escalating bidding war for Harper & Row which involved many of the world's leading publishing businesses.

Although the only publicly disclosed offer, apart from that by Mr Cross, was a $220m bid by Harcourt Brace Jovanovich, Harper & Row said last week that "a considerable number of domestic and foreign firms" were in active discussions about a deal.

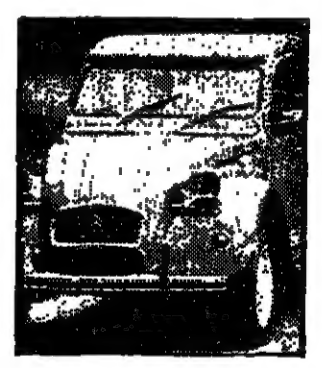
The News Corporation bid came as a surprise to most analysts. The potential suitors at the centre of market speculation had been Gulf & Western's Simon & Schuster subsidiary, Time Inc and Mr Robert Maxwell's Pergamon Press.

The high price being paid for Harper & Row, which had revenues of $118.1m and earnings of only $4.4m in the nine months to December 31 1986, seems to confirm the premium valuations being put on US publishing stocks since Bertelsmann, the West German publisher, paid $475m for Doubleday last year.

One of the biggest gainers from the deal will be Mr Cross, a canny investor who has made a fortune through running and trading publishing companies. He had accumulated a stake of more than 6 per cent in Harper & Row at an average cost of well below half the $65 a share News will be paying.

Life after death for Citroën 2CV

BY PAUL BETTS IN PARIS



AN EPOCH in the history of the French automobile industry came to an end yesterday with a decision to halt production of the Citroën 2CV in France next year.

Since its introduction in 1949, the car has become one of the most popular symbols of French life along with the beret Basque, the Gauloise cigarette and the baguette loaf.

Citröen, one of the two car divisions of the private Peugeot-Citroën group, has told unions it plans to close its old factory at Levallois in Paris where the 2CV is made sometime during the first half of next year.

The company was quick to stress, however that the closure of Levallois, which dates back to 1893, did not imply the death of the 2CV. An official confirmed that the popular small car, affectionately referred to as a sardine can because of its shape, would continue to be built at Mangualte in Portugal. Mr Jacques Calvet, Peugeot chairman, has also remarked on numerous occasions that the 2CV "is immortal."

Continued on Page 28

Swedish Match to buy Wilkinson

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDISH MATCH, the Swedish conglomerate and the world's leading match manufacture, is to acquire its closest rival Wilkinson Sword, the UK-based maker of matches and shaving products, from Allegheny International of the US, in a deal worth about $160m.

The takeover will give Swedish Match control of more than 25 per cent of the world match market and around 85 per cent of the UK market.

Wilkinson Sword is the world's second largest producer of matches after Swedish Match, with production plants in 13 countries. It is also one of the world's leading producers of razors and razor blades and has annual sales of more than SKr 2bn ($314m) and a workforce of some 8,000.

More than half of its sales come from matches, a third from shaving products and the remainder from household and garden tools.

The troubled Allegheny group of the US, which acquired control of Wilkinson Sword in 1980, is being forced to cut back its international operations and concentrate its business activities in North America. The purchase price for Wilkinson Sword is $230m, but the net payment from Swedish Match is $160m after the settlement of payments between Wilkinson and Allegheny.

The Swedish Match takeover includes Wilkinson Sword's UK subsidiary, Bryant and May, and its Liverpool match plant with a 55 per cent market share, as well as Fiat Lux, the Brazilian subsidiary with 2,500 employees and a dominant position in the world's second fastest growing match market.

As part of the acquisition, Swedish Match also gains majority control of Lion Match, Wilkinson's South African subsidiary listed on the Johannesburg stock exchange with sales of SKr 450m and 2,000 employees.

Background, Page 6

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PORTRAIT OF AN ECONOMY UNDER SIEGE

Amin Gemayel has presided over a precipitous depreciation of the Lebanese pound, reflecting the difficulty of solving the country's problems, Page 3

EUROPEAN NEWS

Short-range missiles bog down INF talks

By William Dullforce in Geneva

THE IMPASSE over short-range nuclear missiles in which the US-Soviet talks on removing intermediate nuclear (INF) forces from Europe have bogged down can only be overcome by a decision at the top political level, Western officials here say.

They expect a first attempt to reach that decision will come when Mr George Shultz, the US Secretary of State, visits Moscow on April 13-16 for a meeting with Mr Eduard Shevardnadze, his Soviet counterpart. Both Mr Maynard Glitman and Mr Alexei Obukhov, the US and Soviet INF negotiators in Geneva, pointed to the Moscow encounter as the next staging post after they had broken off their talks last week.

Since then both senior officials in Washington and Moscow have charged the other side with "backtracking" from previous undertakings in the INF negotiations.

The Soviet position is that, when on February 28 Mr Mikhail Gorbachev removed the link Moscow had previously imposed between an INF treaty and limits to President Ronald Reagan's Strategic Defence Initiative, the Soviet leader accepted the President's earlier "zero option" proposal to get rid of all medium-range missiles from Europe.

By insisting in Geneva that the INF agreement must incorporate an understanding on parity in some shorter-range nuclear missiles, the US has created "new problems" and raised doubt about the sincerity of President Reagan's original offer, Moscow argues. It says negotiations on short-range

Glitman: "equality"

systems can start immediately after an INF agreement

However, the US claims that in Geneva back in 1983 Moscow had agreed to include some short-range missiles in an INF agreement. Their inclusion was also implicit in the understanding between Mr Reagan and Mr Gorbachev at their Reykjavik summit last October.

During a briefing on March 4 after the US had responded to Mr Gorbachev's February 28 initiative by tabling its draft of an INF treaty Mr Glitman said it contained provision for "equality" in some shorter-range missiles as well as for the removal from Europe of all Soviet SS-20s medium-range missiles and US cruise and Pershing 2 missiles.

Nato estimates that Soviet forces have a six-to-one superiority in short-range nuclear systems in Europe. The US wants the INF treaty to include agreement that it has the right to achieve parity with the Soviet SS-12 (SS-22 in their latest version) and SS-23 missiles with ranges in the 350-km to 900-km band. Moscow has some 130 such missiles.

The Soviet side would remove and destroy missiles down to the level of parity agreed and the US would build up to that level. This is why it has been suggested that some US Pershing 2 missiles in West Germany might be converted to shorter-range weapons by removing one stage.

In the US draft INF treaty the number of short-range missiles in this category to be held on each side was left blank. Western officials said. The US accepts that a separate agreement on other short-range systems, such as the Soviet Scud and its own Lance, could be negotiated after the signature of an INF treaty.

The INF talks are due to resume in Geneva on April 23 together with negotiations on strategic nuclear missiles and space weapons. Prospects will then depend on Washington and Moscow having settled the question of whether or not an INF treaty should incorporate an agreement on shorter range missiles in the SS-12 and SS-23 categories and whether Moscow is ready to enter detailed discussion of verification measures, officials said.

David Marsh adds from Bonn: Mr Helmut Schmidt, the former West German Chancellor, yesterday gave a sharply pessimistic assessment of the chances of a speedy superpower agreement on dismantling medium range missiles in Europe.

In an interview in the Hamburg daily Hamburger Morgenpost, Mr Schmidt, one of the architects of the original 1979 Nato "two track" decision to deploy medium range nuclear weapons in Western Europe, said he believed no INF accord could be reached before 1990.

Thatcher burnishes her image in the Kremlin

BY PETER RIDDELL, POLITICAL EDITOR, IN MOSCOW

AS THE clock struck 11 am precisely the doors at each end of the sumptuous Catherine Hall in the Kremlin swung open. At one end stood Mr Mikhail Gorbachev, the Soviet leader; at the other end Mrs Thatcher. They walked steadily towards each other, shook hands, smiled and chatted. It was another photo opportunity.

Ever since Mrs Thatcher landed in Moscow early on Monday evening her life has been full of photo opportunities. By last night there had been 10 such formal chances to film Mrs Thatcher in two days, and several informal ones as well at the British Embassy. It has been an image adviser's delight.

Over the whole visit of Mrs Thatcher, who has been filmed or photographed with Mr Gorbachev at least seven times, the clear impression is that here are two world statesmen, even *old friends, talking about* global subjects. By comparison Mr Neil Kinnock's bare 25 minutes with President Reagan looks a poor second.

Yesterday morning provided a classic example. After laying a wreath at the Tomb of the Unknown Warrior, she went to the Kremlin to start her formal talks with Mr Gorbachev following an informal chat with him in the interval at the Bolshoi on Sunday evening.

Television crews, photographers and a small "pool" of reporters acting on behalf of others had been ushered behind a rope in the Catherine Hall, as opulent a room as can be seen in Verseilles or the Vatican. Named after Catherine the Great, it is decorated with golden gilt in the ceiling and ornate furniture. The green malachite columns were said to be worth millions of gold roubles; Mrs Thatcher wore a green dress which suitably matched.

The entrances by both leaders were as dramatic as any film and no doubt looked that way on television news. And then there were a couple of minutes of smiles and chat—about how marvellous Swan Lake had been at the Bolshoi.

Unlike President Reagan, Mr Gorbachev cannot easily be upstaged by Mrs Thatcher. His considerable charm is apparent and, asked by photographers to move closer to Mrs Thatcher, he joked: "Maybe next time we'll be sitting even closer."

There was little of substance for the writing journalists. Indeed, they are largely excluded from most of the events intended for the eye rather than the ear. They rely on observations from the edge of walkabouts, "pool" reports from colleagues, briefings from British officials in the unfortunately named Fairytale Room of the Intourist Hotel.

Direct contact with Mrs Thatcher is rare. The British press corps is too restrained to shout out questions at the leaders like Mr Sam Donaldson of ABC Television has become famous for doing at photo opportunities at the White House.

Yet if the medium is most of the story, the message should not be ignored. Mrs Thatcher appears to be genuinely interested in the extent of change in the Soviet Union under Mr Gorbachev—even if her programme, and the accompanying media circus, has ruled out any real contact with ordinary Russians as opposed to the Soviet elite.

Moreover, her message both on arms control and its links in building confidence and trust with internal changes and human rights in the Soviet Union, have been characteristically clear and forthright. But in a reference in a speech yesterday to Britain's action in going to war in aid of Poland in September 1939, she diplomatically did not mention the German-Soviet pact of a few days earlier which had led to the invasion.

The theme of peaceful coexistence between different systems which she stressed both in her speech at the Kremlin last night and earlier in the trip can be contrasted with her desire to smash socialism in Britain. But she sees the limits of exporting Thatcherism, at least on this trip.

Mr Gorbachev asks photographers if he is close enough to Mrs Thatcher before their talks yesterday

FOUR AGREEMENTS READY TO BE SIGNED

BRITAIN and the Soviet Union are *this morning* expected to sign four bilateral acords which will result in visits to Moscow by the National Theatre and the English National Opera Company, Peter Riddell reports from Moscow.

The aim of the accord is to highlight the improvement in bilateral relations reflected in the current visit to Moscow by Mrs Thatcher.

Following the lengthy negotians there is to be a memorandum of understanding on cultural, educational and communications issues. The other acords will cover science and technology, an improvement to the "hot line" between Moscow and London and the longstanding discussions on the re-siting of the British Embassy in Moscow.

The cultural accord will be wide-ranging and involve a series of exchange visits of performing companies. The British visitors to Moscow will include not only the National Theatre, the English National Oepar and the Ballet Rambert, but also pop groups such as Genesis and artists such as Mr Julian Lennon, the son of the former Beatle.

This agreement will also include educational exchanges which Mrs Thatcher mentioned last night in her speech at a Kremlin dinner when she talked of the desirability of young people from each country going to the other. There are also to be extensions of journalistic facilities in both countries for the citizens of the other.

Turkish law aims to help companies

By David Barchard in Ankara

THE TURKISH Parliament has approved a new law to help ailing companies by letting them convert bank debts into equity and enabling them to defer tax and social security payments for up to five years at reduced interest rates.

At the State Investment Bank (DYB) which is being converted into an export credit agency is also to be given funds to assist domestic manufacturers.

Up to 320 Turkish manufacturing companies are thought to be in need of assistance. The leading banks have been struggling for several years with a large volume of non-performing loans in their portfolios.

State banks have been particularly badly affected. Though balance sheets in many cases give little information about the extent of bad industrial debts, two public-sector banks — the Turkiye Emlak Kredi Bankasi and the Ziraat Bankasi — are thought to have borne the highest liabilities.

A recently-leaked list of bad debts in the portfolios of state banks suggested that one bank alone, the Turkiye Emlak Kredi Bankasi, accounted for [illegible] per cent of the total.

Industrialists have had mixed feelings about the Ozal rescue operation. Many claim that the Ozal Government's policy of keeping margins much higher than inflation, intended to help banks write off their bad debts, has penalised efficient firms and protected badly-managed ones.

FINANCIAL TIMES

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US may act if AT&T bid fails

BY TERRY DODSWORTH IN BRUSSELS

THE US authorities might take action against European companies if AT&T loses its bid to take over CGCT, the French public switch manufacturer, Mr James Olson, chairman of AT&T warned yesterday.

Choosing his words carefully, Mr Olson said that the battle for control of CGCT was seen as a "very important issue" in the US. There was a great deal of pressure on the Government and on Congress to oppose a decision which protected European industry by refusing the bid from AT&T.

"I am not for protection, and I think the US would be ill-served by legislation which is not well thought out," he said. "But the US market is open to telecommunication vendors, and you need fairness in world trade."

Mr Olson's remarks, made in Brussels on a trip through Europe, came on the eve of a decision on the future of CGCT, due to be made by the French Government next month.

They follow a tortuous series of bids and counter-bids that have pitched the AT&T offer, being made in collaboration with Philips of the Netherlands, against rival offers from Siemens of West Germany and Ericsson of Sweden. CGCT, a nationalised concern, has a 16 per cent stake in the French market for public telephone exchanges, but its technology is out of date and the French Government has put it up for sale in order to develop a second source of switches to those supplied by the larger Alcatel group.

The AT&T chairman reiterated the US Government's belief that AT&T had effectively won the contest for the French group last summer, but that the bid was scuppered by the intervention of the West German Government on behalf of Siemens. West Germany, he said, had "politicised" the issue.

Mr Olson refused to speculate on what kind of action the US might take against European companies if AT&T did not succeed with its takeover proposal. Various reactions have been suggested, including measures by the Federal Communications Commission to try and block sales of Siemens public switch equipment in the US, and legislation to restrict European access to the US if talks on a friendly resolution of the problem failed.

French right slips in local polls

BY PAUL BETTS IN PARIS

THE PARTIES in the French right-wing parliamentary majority and the extreme right National Front have seen their popular support decline in local polls at the weekend for the first time since the right won the legislative elections 12 months ago.

Although the six local polls to elect local councillors involved only about 90,000 voters, the results appear to reflect the general fall in the popularity of the right-wing Government of Mr Jacques Chirac recorded in recent public opinion polls.

Up to now, the right-wing parties have generally managed to improve their positions in local polls or by-elections *despite their decline in opinion* polls. However, in the first round of six cantonel elections at the weekend, the traditional right-wing parties lost ground, while the National Front also declined in some cantons.

Despite this first minor setback in local polls since last year's legislative election victory, public opinion polls continue to show the right with a firm overall majority at the national level in France of about 56 per cent, even though they have also shown public dis*appointment over Mr Chirac's* Government.

Although the Socialists fared better than the right-wing RPR and centrist UDF coalition, making strong gains in the canton of Cergy and leading in the canton of Dieulouard in Meurthe-et-Moselle, its overall performance was disappointing

Craxi to break silence on crisis

BY JOHN WYLES IN ROME

ITALY'S outgoing Prime Minister, Mr Bettino Craxi, will break a long period of silence today with his first public statements about the political crisis which began with his resignaton four weeks ago.

When he rises to give the keynote address this afternoon at the opening of his Socialist Party's biennial congress, he will be given an adoring welcome as the man who, after three and a half years as Italy's first Socialist Prime Minister, has established the party as a party of government.

But he is also the man whose tactics over the past month have helped block the formation of a successor government under Christian Democrat leadership. Some of his Socialist lieutenants had consistently warned beforehand that Mr Craxi could not be expected to make any deal before the congress for fear of internal reactions within a party which he has brought to an unprecedented state of unity.

It may be too late after the congress, however, to stitch up the deep wounds the crisis has inflicted on relations between the Socialists and the Christian Democrats.The absence of an agreement between the five governing parties means that the lavishly mounted congress —internal designs by the Milanese architect Filippo Panseca—will probably be transformed into an election rally by the time the 1,100 delegates disperse on Sunday.

Ms Nilde Iotti, the president of the Camera, the lower house of the Italian pariliament, is expected to report to President Francesco Cossiga within the next 24 hours that no majority government seems feasible. The President may well then move towards dissolving the parliament and setting elections for the end of May.

Spanish poison oil trial starts

By Tom Burns in Madrid

TENSION and drama surrounded the opening in Madrid yesterday of a trial of businessmen accused of the manufacture and distribution of adulterated rapeseed oil six years ago that allegedly caused widespread deaths and illness.

Hundreds of victims of what came to be known as the toxic oil syndrome demonstrated outside a large auditorium in Madrid's western outskirts that has been refurbished to serve as a court room. They were held back by police as the 38 defendents arrived for the hearing.

As the crowd outside chanted "We want justice and health," court officials read a very brief resume of the 250,000 pages of written evidence collected in the course of the investigation and the first defendent, a San Sebastian businessman who imported oil for industrial use.

The prosecution case is that rapeseed oil, destined for the steel industry and laced with aniline to prevent its consumption, was illegally treated to remove the additive and make it fit for household use.

The oil, subsequently sold by door to door salesmen, allegedly turned out to be a lethal killer and was responsible for 584 deaths and for the serious illness of an estimated 25,000 people.

The toxin that allegedly prompted the paralysis and disfigurement of its victims has never been identified and a contention remains that the catastrophe was caused by pesticides.

● The parliamentary debut of Spain's new conservative leader, Mr Antonio Hernandez Mancha, yesterday took on a distinctly lacklustre appearance as he failed to rally support from other opposition groups behind a no-confidence vote against the Socialist Government. This followed a censure debate sonsored last week by his Alianza Popular party.

Prime Minister Felipe Gonzalez, whose Socialist Party holds 184 seats in the 350-member congress, had no difficulty in surviving what had been the first censure motion levelled against his government. In addition to his party's outright majority he was able to count on support from Communist and from Basque nationalist deputies.

Portugal clears way for sale of company holdings

BY DIANA SMITH IN LISBON

EXPANSION of the Portuguese capital market should be enhanced by revised legislation, published this week, which allows state-owned concerns to shed minority or majority holdings in companies with assets worth more than Es 600m (£2.6m).

Aware of heavy demand and chronic lack of paper on the market the Cavaco Silva Government in its 1987 budget proposals included a clause permitting divestment of a range of public sector holdings. The left-wing opposition altered this clause demanding that sales of shares be subject to special-decree laws, but it later softened its stand.

The new legislation recently promulgated by President Mario Soares stipulates that if a group of public companies hold what is tantamount to an absolute majority of shares in an enterprise, the Government may authorise divestment through sale on the stock market or by public tender.

In exceptional cases, the decree says, the Cabinet could decide not to allow divestment.

Rapid nationalisation of half Portugal's fixed capital in 1975, when interwoven holdings of the country's large economic groups were swept chaotically into the public sector, and state intervention in hundreds of small companies decimated the stock market. When the revolution died down, there were tangled minority or majority state holdings in everything from agro-industry through commerce to heavy industry and transport. The mood in Portugal has changed enough to permit the Government conspicuously to encourage the stock market and try to shrink the public sector, by, initially, shifting holdings in smaller companies from the state to the stock market.

Treasury officials recently claimed that if public sector companies could shed part of their complex holdings it could bring $1.2bn worth of shares onto the market.

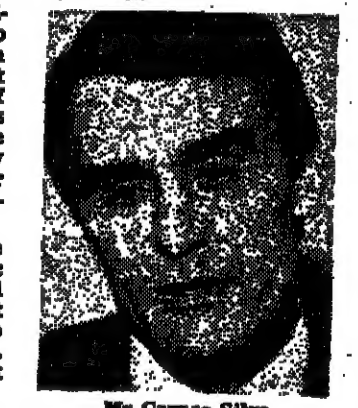
Left coalition proposed

PORTUGAL'S left-wing opposition which now seems sure to bring down the 17-month minority Social Democrat administration with a motion of censure scheduled for Friday, is suggesting that a coalition of the left could fill the gap caused by the ending of Prime Minister Antonio Cavaco Silva's administration.

The proposers of the surprise motion — the Democratic Renewal Party (PRD) a small politically-unclear movement run by Gen Antonio Ramalho Eanes, the former head of state, are talking today to the largest opposition party, the Socialists.

Mr Victor Constancia, the Socialist leader, and former governor of the Bank of Portugal initially spurned the PRD action and offered to negotiate a compromise with Mr Cavaco Silva. He was rebuffed and now seems to favour a parliamentary coalition instead of a snap general election likely to punish severely parties that back the censure motion.

The hardline Communists also want a left-wing solution. They have sought a place in government ever since their rejection by the electorate in 1976 excluded continuation of the



Mr Cavaco Silva

power sharing they enjoyed in several unelected revolutionary coalitions in 1974 and 1975.

A coalition bid on the excuse that more people voted for the opposition than the Social Democrat's 32 per cent gives President Mario Soares a tough choice. After the censure vote, he must hear out all parliamentary parties and decide either to accept opposition proposals or call a snap election.

His peaceful coexistence with Mr Cavaco Silva has produced a long spell of now-shattered stability.

Border Germans fear hazards of waste dumping

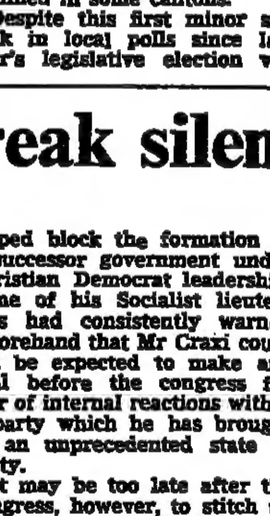
David Marsh looks at protest over an industrial rubbish tip

"*THE* industrialised world produces too much rubbish," said the young man, clad totally in green, standing by the side of a snowy north German woodland road. "It cannot go on like this."

The words came not from one of West Germany's fiery ecological politicians but from a green-uniformed customs official in charge of the border crossing point at Schlutup, a small fishing community next door to the medieval city of Luebeck abutting the frontier with East Germany.

Mr Uwe Neitzel and his customs men are responsible for checking the heavy lorries carrying daily to East Germany thousands of tonnes of household and industrial waste from the Federal Republic and other western European countries.

The rubbish, bound for East Germany's huge dump at Schoenberg, three miles away across an ominous wire fence on the other side of the East-West divide, has attracted a tide of criticism during the



past few years from local residents.

The protesters are, however, powerless. The rubbish is rumbling on.

Mr Neitzel reports that between 130 and 150 heavy lorries per day are grinding their way eastwards. Choosing his words with care, he says that the piling up of hazardous waste on the other side of the border "could be dangerous if we didn't know that conditions there were safe."

He adds: "As a Leubecker, I don't see why all that waste has to come here."

An elderly man who sees the juggernauts passing literally under his nose is Mr Arthur Breest, whose turn-of-the-century house is built at the side of the road only a few feet away from East German territory.

Mr Breest was born in Mecklenburg down the road in what is now East Germany. He has crossed the border only twice in the 42 years he has lived in the house. His neighbours are the East German border guards, who now at least answer "Good morning" when he speaks to them in a sign of a slight thaw over the years in East-West relations.

Pausing while sawing wood in his outhouse, Mr Breest says he hears the lorries every morning at 6 o'clock. "When they come back empty they make even more clatter," he says wryly.

Down in the little town of Schlutup, *the mood is more vociferous.*

"In 20 or 30 years, our children will say we were crazy to allow this," says Mr Juergen Ruescher, manager of the local grocery store facing the frozen estuary.

Apart from the long-term danger that poisonous waste from Schoenberg could contaminate the water supply, Mr Ruescher says the heavy trucks wafting diesel fumes over his neat fruit and vegetable stand are cracking the walls of houses.

"Who is going to pay for this? The German states (Laender) should look after their own rubbish, not bring it here," he says with the weariness of a man who knows his advice, however sound, is not going to be heard.

Weariness is certainly in the air at the Luebeck city council. Mr Egon Hilpert is the official responsible for the Byzantine *and seemingly hopeless task of* bringing 65 separate legal actions throughout West Germany to try to stop the waste traffic.

A classical music lover, Mr Hilpert says glumly that he now wants to hang up when people telephone about Schoenberg.

The Schoenberg tip is the source of large amounts of foreign exchange for the East German government. Mr Hilpert says he believes it is "conscientiously run," but scientists cannot rule out, he says, that toxic substances from the dump will seep through into the water table over the next decades.

The city council has hired a Bonn law firm to handle the expensive busines of actions against five Laender which insist on sending their rubbish to Schoenberg.

The legal procedures, started last year, have brought conciliatory pledges from Laender such as Baden-Wuerttemberg and Saarland which are anyway not large users of the dump. But the legal tussles with Hamburg, North Rhine Westphalia, Lower Saxony, Bremen and Lueback's own state of Schleswig Holstein have sharpened.

"It could take years to settle," says Mr Hilpert. In the meantime, traffic to Schoenberg has been reduced during the winter because of the difficulties of loading frozen rubbish. But Mr Hilpert says he believes that, once spring sunshine thaws the stockpiles of western waste awaiting transit, the fleets of lorries trundling eastwards will be on the rise again.

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China aviation chief bypassed on Cathay stake

BY ROBERT THOMSON IN PEKING

MR HU YIZHOU, China's aviation chief, yesterday made the admission that he was not consulted by the state-run China International Trust and Investment Corporation (Citic) before it took a stake in Cathay Pacific Airways that had been interpreted as Peking's backing for Cathay as Hong Kong's flag carrier.

Mr Hu, Director General of the Civil Aviation Administration of China (CAAC), said of the 12.5 per stake, worth $250m, taken by Citic in late January: "I only heard about this by reading the newspapers. Of course, when I read the news, I said to the Citic people that this is really quite a surprise."

The stake was taken by Citic (Hong Kong), a subsidiary of the Peking-based investment body, after less than a week of negotiations with Swire Pacific, Cathay's parent. Swire officials noted at the time that "we have done this deal pretty rapidly."

Too rapidly, it seems, for Citic, which has wide-ranging powers under its government brief, to have consulted the country's most powerful civil aviation official. Mr Hu told the Financial Times that Citic officials had explained later that they could not tell him about the deal because it was "confidential commercial business" and that "if we disclose this before, then we have to spend more buying these shares."

Mr Hu said the purchase was a "purely commercial action," but made clear that he expects to be consulted by Citic before future dealings in Cathay shares: "They would come to me to seek some information and advice, or to find out whether this airline is doing okay or whether they would want to end it (the investment)."

Mr Peter Sutch, Cathay Pacific's managing director, was extremely surprised yesterday by Mr Hu's statements.

"Bearing in mind that we were talking about a major investment in foreign currency, it is inconceivable that such an arrangement could have gone ahead without central approval. It would be impossible for a state organ to go ahead with a deal like this without the approval of other concerned state organs," he said.

The Cathay purchase is by far Citic's largest investment and its most unusual, as it has generally focused on buying resources needed for China's modernisation drive. It has bought into the US timber industry in Washington State and last year took a 10 per cent, $70m stake in an aluminium smelter in Victoria, Australia.

Diplomats in Peking and the Hong Kong business community had interpreted the Cathay purchase as a show of Peking's support for the airline as the de facto Hong Kong flag carrier in the lead up to the Chinese resumption of control over Hong Kong in 1997.

Mr Michael Miles, Swire's chairman, said then that the Citic relationship "is a key one, recognising the political realities, and the long-term future of the airline."

High yen hits output of industry in Japan

JAPAN'S MINING and manufacturing output rose a marginal 0.3 per cent in February from January, Ian Rodger reports from Tokyo.

The Ministry of International Trade and Industry (Miti) said the seasonally-adjusted figure showed that industrial activity remained sluggish in the country because of the impact of the high yen. Only the electric machinery and metal industries sectors showed production increases in February.

Excluding seasonal factors, output was up 0.6 per cent.

The output index stood at 122.7 at the end of February compared with a 1980 base of 100. Miti has forecast an increase of 3.2 per cent in output for March, but a 3.4 per cent decline in April.

Terry Waite move

HOPES of fresh news about the missing church envoy Mr Terry Waite suffered another blow yesterday, after the Lebanese Druze leader Mr Walid Jumblatt spent 2½ hours with Foreign Office officials in London—but was unable to confirm whether Mr Waite was alive or dead.

The Foreign Office said Mr Jumblatt had promised to try to find Mr Waite and other hostages, and secure their release.

Tony Walker, recently in Beirut, reports on the collapsing pound

Lebanon sinks into economic despair

THE VIRTUAL collapse of Lebanon's pound is a near-perfect index of the country's misery 12 years after the outbreak of the civil war. The pound depreciated 380 per cent in the past year against the dollar, reflecting almost total despair among Lebanese at prospects of an early end to hostilities.

Even the Syrian military intervention which brought relative calm to West Beirut failed to restore confidence in the battered local currency. The pound appreciated briefly last month before sinking back to its present level of more than L£100 to the dollar.

The Lebanese pound's rapid depreciation has helped fuel an alarming surge in prices. Prices rose more than 100 per cent last year, according to some estimates. Lebanon depends on imports for 80 per cent of its foodstuffs.

The inflationary spiral is playing havoc with businesses, household budgets and the Government's ability to protect the living standards of citizens.

An informal indexation is operating in Lebanon but there is no formal mechanism to provide a cushion against inflation's worst ravages. A recent 40 per cent pay increase for government workers made little impact on the problem, merely adding to the budget deficit.

People complain that fruit and vegetables are 10 times more expensive than they were a year ago. A staple item such as lentils has rocketed from L£5 per kilo to L£82 a kilo in a year.

The middle class are selling land, cars, furniture and jewellery in an effort to survive. Basic health care is proving beyond the means of many Lebanese. A rudimentary government health insurance programme pays just L£400 (US$4) towards an operation that is likely to cost hundreds of dollars.

The pound crisis has led to an increase in robberies and muggings. A Shia woman from West Beirut said there were even cases of food muggings by people desperate to feed their families.

Lebanese, who have managed to survive years of turmoil, are finding the economic crisis a bitter experience. Many, including members of a once well-to-do middle class, are living below the poverty line. There are reports of well-dressed Lebanese scavenging in refuse dumps for scraps of food before dawn so they will not be seen by friends and neighbours.

The pound crisis has helped breed a nation of currency speculators which itself is contributing to pressures on the pound. Most Lebanese with funds at their disposal converted them long ago to foreign currencies.

The biggest denomination banknote is the L£250, worth less these days than $2.50. The Lebanese pound note itself is not worth the paper it is printed on, a humiliating circumstance for Lebanon, which once prided itself of being the Switzerland of the Middle East.

The extent to which confidence in the pound has collapsed in a relatively short period is illustrated by the fact that when Amin Gemayel was elected president in 1982 the local currency was still trading at L£4.32 to the dollar seven years after civil war broke out.

Its accelerated depreciation in the past year may well mark something of a watershed in the hopes of Lebanese who had clung, long after it seemed reasonable, to a vague notion that a political solution would be found to Lebanon's difficulties.

Lebanon's budget deficit is contributing to pressures on the pound. The 1987 budget forecasts expenditures of L£69.25bn ($630m) against receipts of just L£4.25bn ($38.6m) from a shrinking customs duty and tax base.

The Government is part financing the deficit by sharply increasing the ratio of deposits banks are required to hold in treasury bills, squeezing liquidity in the process. Statutory impositions on the banking system are expected to finance two-thirds of the deficit this year.

Lebanon's beleaguered central bank is widely criticised for its failure to halt the slide in the value of the pound. The bank intervened in the market late last year, outlaying $500m, about half Lebanon's foreign exchange reserves, in an effort to stop the pound's depreciation. The measure failed.

Lebanon's gold reserves of 9.2m troy ounces valued at between $3.5bn-$4bn are shoring up the pound against total collapse. About 60 per cent of the reserves are held at the cntral bank in West Beirut, the rest at Fort Knox in the US. Lebanon's foreign debt totals a modest $375m.

Political disagreements are preventing the gold from being converted to interest bearing foreign currency deposits to help the Government through its economic crisis.

Lebanese industry, which for about 20 per cent of Lebanon's economy, is the one sector to have benefited from the depreciation of the currency. It is highly competitive and this is reflected in its strong export performance in the past year.

Another consequence of the chaos in Lebanon is that little new investment is entering the country. Bankers estimate that $12bn-$16bn is deposited in Lebanese banks abroad.

Bankers, businessmen and officials in Beirut see little prospect of an improvement in the economy, however, in the absence of a political settlement. Prospects are for increasing budget deficits and further pressure on the pound.

PALESTINIANS in the besieged Chatila camp in Beirut's southern suburbs are on the brink of running out of food, a Canadian surgeon working in the camp said yesterday, Andrew Gowers writes.

Dr Chris Giannou—speaking on a radio link-up—said the situation in Chatila, which has been intermittently under siege by Shia Amal militiamen and the Lebanese army since the end of 1985, has deteriorated to the extent that its 3,200 inhabitants may now be worse off than those in Bourj al-Barajneh, the other large Palestinian camp in Beirut.

"The siege of Chatila has been complete," he said. "We have had only three lorry-loads of supplies in the past six weeks, and the last of those, 10 days ago, was fired on."

Since the latest upsurge in the "camps war"—in which an alliance of Lebanese militias has been trying to prevent the re-establishment of any Palestinian fighting forces in Beirut—began last November, 105 inhabitants of the camp have died, and a total of 580 have been wounded.

Britain 'wants Brunei in five-power defence pact'

BY WONG SULONG IN KUALA LUMPUR

BRITAIN would like Brunei to join the five power defence arrangement, Mr George Younger, the British Secretary of State for Defence, said in Kuala Lumpur yesterday.

His statement coincided with the official visit to Brunei by Dr Mahathir Mohamad, Malaysia's Prime Minister.

Brunei's participation in the five-power defence pact is seen as a second protective shield for the oil-rich sultanate.

The first "shield" is the Sultanate's membership of the Association of South-East Asian Nations (Asean).

The five-power defence arrangement links Malaysia and Singapore in a loose defence tie-up with Britain, Australia and New Zealand

SENEGAL: AUSTERITY TO GROWTH

IMF's model pupil seeks recovery aid

BY NIM CASWELL, RECENTLY IN DAKAR

ONE OF the International Monetary Fund's model clients in Africa will today be asking aid donors to back a recovery programme designed to lead from austerity to growth.

At a two-day donor conference opening in Paris, chaired by the World Bank, the Government of Senegal will present funding requests of $600m (£428m) a year over a planned period ending in 1992.

Senegal's capital, Dakar, with its Atlantic port and elegant colonial architecture, was once the centre from which the whole of French West Africa was administered.

The city is looking distinctly shabby now, its population swollen by peasants displaced by successive Sahelian droughts.

Despite the relatively developed infrastructures and manufacturing base inherited on independence in 1960, the economy remains dependent on a few primary exports—groundnuts, fish, cotton and phosphates.

Agriculture still accounts for close to 20 per cent of GDP and more than two-thirds of Senegal's 7m people are rural-based. Living standards are low, with GDP estimated at CFAfr195,000 (about £400) per head in 1986.

In common with many of its neighbours, the country has spent most of the 1980s under intensive care from the World Bank and the IMF, implementing a classic combination of budgetary austerity, trade liberalisation and demand restraint in order to bring budgetary and balance of payments deficits under control.

The results, in terms of the Fund's "magic indicators" at least, have been impressive. Public expenditure has been slashed from 32 per cent of GDP in 1980-81 to 21 per cent in 1985-86, and net government borrowing from 11.5 per cent to 2.1 per cent of GDP over the same period.

The balance of payments current account deficit, excluding public transfers, meanwhile fell from 25.9 per cent of GDP in 1981 to an estimated 11.4 per cent in 1986.

Such indicators have gained Senegal the status of model pupil of the IMF.

With the help of some judicious juggling and aid disbursements, all the Fund's performance criteria under the latest stand-by and structural adjustment facilities were met at the end of December.

A new World Bank structural adjustment loan to replace that agreed in February last year, which was disbursed in record time, should go before the Bank board in May.

A new round of debt rescheduling — Senegal's fifth — was also agreed in principle by the "Paris Club" at the beginning of December, and bilateral negotiations are nearly complete.

That places Senegal further along the road to economic reform than almost any other African country and makes it likely that aid donors will come up with the bulk of the funds the government is seeking.

What is less clear is whether the adjustment programme can now shift gear from austerity to expansion and attain even the modest 3.5 per cent annual growth rate targeted for 1987-92.

GDP growth in 1985 and 1986 is estimated at 3.8 and 4.8 per cent respectively. But although those figures marke a distinct improvement on what went before, they mainly reflect agricultural recovery from drought rather than the beginnings of a sustained recovery.

A new industrial policy announced in early 1986 has already reduced protection of local industries, with revisions to import tariffs last July and a phased elimination of quantitative restrictions on imports of locally produced goods at present under way.

Of more immediate concern, there are those in Dakar who are wondering just how much more austerity Senegal's traditionally tolerant political system can stand.

But officials privately doubt whether there is any realistic prospect of meeting external debt obligations without indefinite rescheduling.

HK to act on refugees

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Government plans to screen Vietnamese boat people arriving in Hong Kong waters in future. Those found to have left for economic reasons will be returned to Vietnam according to Mr David Jeaffreson, Hong Kong's Secretary for Security.

The screening proposal, which has to go before the British Government for final approval, comes at a time of increasing anxiety over the prospects of finding homes in the West for the 8,000 refugees at present filling camps in Hong Kong. Mr Jeaffreson said yesterday that their prospects of resettlement were "not very bright."

AMERICAN NEWS

Ecuador to receive oil loan from Venezuela

BY JOE MANN IN CARACAS

VENEZUELA will loan Ecuador 7.5m barrels of oil until the end of July to help the Quito Government maintain petroleum exports following earthquake damage to its oil production installations.

These new oil shipments will be in addition to the 5m barrels of oil Venezuela *has* already begun *sending* to Ecuador in order to meet the country's domestic energy needs.

The announcement of the new *loan was made by Mr Arturo Hernandez* Grisanti, Venezuela's Minister of Energy and Mines. Venezuela was one of the first countries to aid Ecuador after recent earthquakes damaged the country's oil production facilities and its main pipeline, making it impossible to supply domestic energy needs or continue *despatching exports.*

Assistance from Venezuela will allow Ecuador to continue obtaining some foreign currency revenues from oil exports.

However, Venezuela will not be able to supply oil to meet all of Ecuador's domestic and foreign commitments. Venezuela's state oil company, PDVSA, does not produce all crude types required by Ecuador's foreign clients, and more important, does not have surplus capacity to produce all the oil Ecuador needs.

According to industry reports, Venezuela is buying substantial volumes of crude oil on an international market in order to meet its own commitments overseas, especially for shipments to the refinery it leases on Curacao and to the Citgo petroleum refinery in the southern US, where it is a partner.

Venezuela's crude production capacity is considerably higher than its current actual output. But this excess capacity is made up of heavy crude oils, while PDVSA needs more light and medium weight crudes for its export clients and joint ventures overseas.

Mr Javier Espinosa Jeran, Ecuador's Minister of Energy and Mines, said during a visit to Caracas that his country's state oil company, CEPE, expected its oil production *and shipments* to be resumed *on* August 1.

He also said that Ecuador would begin paying back Venezuela's 5m barrel portion over a *six month* period (at a rate of about 65,000 barrels per day), while the 7.5m portion would be returned over a longer period.

Alleged US spy urged 'to lie'

SERGEANT Clayton Lonetree, a Marine embassy guard accused of spying for the Soviet Union in Moscow, gave conflicting accounts of his role in three interviews with investigators, Reuter reports from New York.

A report in the New York Times cited 23 pages of declassified memoranda from investigators, made available by Sergeant Lonetree's lawyer Mr William Kunstler.

The lawyer said one agent of the Naval Investigative Service admitted at a preliminary proceeding that he had urged Sergeant Lonetree "to just tell us something – tell *us a lie.*"

The paper *quoted* Mr Kunstler as saying: "Here's a kid in the Marines who's never been out of the US. Suddenly he's in Moscow and Vienna and I think he created a fantasy world."

In the memoranda, Sergeant Lonetree describes how his romance with a Soviet woman who worked at the US embassy in Moscow *led* him into espionage involving her *purported* uncle "Sasha," the newspaper said.

US faces bill of $2.8bn to destroy chemical weapons

THE US Army believes it will cost as much as $2.8bn to destroy thousands of tons of obsolete chemical weapons, a program ordered by Congress as part of the battle over whether to build new US gas weapons, AP reports from Washington.

The most recent cost figures were sent to Congress last week as a congressional committee prepared to begin writing a Pentagon budget for the fiscal year starting October 1.

A change that could be made is the current 1994 deadline set by Congress *last* autumn for the army to dispose of all the weapons. The service admits it will be difficult meeting this target.

No US chemical weapons have been built since 1969, when President Richard Nixon ordered a halt to the programme. But when President Ronald Reagan took office six years ago, he sought to restart the US *chemical* production because he said it was needed to offset a growing Soviet gas arsenal.

Congress finally approved its request two years ago after a long and controversial fight, but also decided to eliminate the current stockpile following reports the weapons were aging, obsolete and sometimes dangerous. *Some* of the weapons date to World War II.

According to army spokesman Mr Phil Soucy, the service has thousands of tons of gas weapons. The exact amount is classified, though published estimates have put it at about 30,000 tons. The army says it will cost between $2bn and $2.8bn to destroy the stockpiles.

The US arsenal basically has three types of *chemicals: Mustard* Gas, which first was used during World War I; the short-lived nerve agent GB; and the longer-lasting nerve gas known as US. Mustard Gas attacks the lungs, while nerve gases attack the central nervous system after being absorbed through the skin.

When the chemical arsenal was created, there were few concerns about how to get rid of it during a time when toxic leaks were little *cause for concern.*

"When this stuff was first made, if you'd ask the army how they would destroy it, I think they would have said bury it," Mr Soucy said.

The weapons are stored at eight army sites in the continental US, along with another on Johnston Atoll, a deserted Pacific island south of Hawaii.

Scientific studies have shown the best way to destroy chemical weapons is burning them in a closed container, *according* to Mr Soucy, and three different incineration plans are under consideration.

Oil price rise boosts Mexican trade surplus

By Our Mexico City Correspondent

MEXICO POSTED a $1.5bn (£940m) trade surplus in January and February, 120 per cent up on the first two months of last year and equal to the Government's forecast trade surplus for the whole of *this* year, according to preliminary figures released by the Planning Ministry.

This remarkable performance reflects the firmer price of oil—Mexico's main export—over the past three months, and the continuing dynamism of non-oil exports, and a further contraction in imports from a low level of economic activity. Mexico's economy contracted last year by 3.5 per cent of GDP.

It is therefore neither likely nor desirable that monthly surpluses will continue at this level, once the Government's phased recovery gets under way in the second quarter, financed *by* new foreign credit of $7bn-8bn that will now begin flowing in.

Total oil exports for the two months were $1.35bn, up 6 per cent on the same period last year, but non-oil exports were worth $1.85bn, up 19.5 per cent on January-February 1986, with a 42 per cent rise in exported manufactures, the brightest development in the Mexican economy. In November, non-oil exports paid the country's import bill for the first time.

Total exports for January and February were $3.2bn (up 13.4 per cent) against imports of $1.7bn, down 21 per cent on the same months in 1986, when import levels were *already depressed as the fall* in oil prices began turning into a collapse.

The Government foresaw an overall budget surplus of $1.5bn, but present trends suggest it may exceed last year's of *$4.27bn.*

The Government foresaw an average oil price of $12 a barrel in the budget against the current average price for Mexican oil of $15.50. This would have given non-oil *revenues of $5.7bn and a $1bn* rise in non-oil exports to $10bn. Imports were forecast to reach $14.7bn. The budget surplus in 1985 was $8.4bn *compared to a record surplus* in 1984 of $12bn.

Bankers attack Senate financial services bill

BY WILLIAM HALL IN NEW YORK

THE US Senate's final version of a controversial financial services bill which imposes a one-year moratorium on the granting of expanded securities powers to US commercial banks was attacked yesterday by US and foreign bankers.

The Consumer Bankers Association, which represents retail banks, savings and loans and credit unions, said it was "deeply disappointed" with the passage, the Competitive Equality Banking act. The Institute of Foreign Bankers, said it was "strongly opposed" to certain provisions in the *proposed* legislation which appear to curb the activities of some of its 230 foreign bank members.

The proposed legislation, which was passed by a 79 to 11 vote on the floor of the Senate late last week, covers several issues including the $7.5bn recapitalisation of the Federal Savings and *Loan* Insurance Corporation (FSLIC) and the so-called regulators bill designed to increase the powers available to Federal banking officials in dealing with US banks which run into trouble.

Both these measures have wide support within various factions of the financial community. However, the question of giving commercial banks greater powers to engage in the securities business, emerged as the most controversial issue in the debate on the proposed Senate legislation.

A key element concerning a ban on the extension of securities powers to commercial banks, was modified in the face of fierce criticism. Under the latest legislation, banks are prohibited from engaging in any new *securities, insurance* or real estate activities that the Federal Reserve might approve until March 1, 1988.

However, the Senate indicated that it was not the intent to extend this moratorium beyond March 1, 1988. The Consumers' Bankers Association argues that if the bill survives in its present form it should be vetoed by President Reagan.

The Institute of Foreign Bankers said yesterday it was strongly opposed to two provisions which appear to prevent expansion by foreign bank securities affiliates, whose activities had been "grandfathered" under the 1978 International Banking Act, and another provision which appears to prevent foreign banks from buying foreign non-financial businesses if the company has interests in the US.

Mr Lawrence Uhlrick, the executive director of the Nek York-based Institute of Foreign Bankers, said yesterday the problems could be resolved in the conference between the Senate and House of Representatives' banking committees.

Haitian poll shows strong backing for constitution

HAITIANS have voted overwhelmingly for a new constitution which includes a clause banning supporters of former dictators Francois and Jean-Claude Duvalier from holding office for 10 years, according to first results, Reuter reports from Port-au-Prince.

The Ministry of Information said yesterday that of votes counted from 215 of Haiti's 1,496 *polling stations,* 99.81 per cent had been in favour of the constitution.

The military-civilian National Council of Government has ruled Haiti without a constitution since Mr Jean-Claude Duvalier, son of Francois, fled the country on February 7 last year after thousands of people took to the streets in riots against him.

The Ministry said the 394,953 votes counted nationwide represent 12.9 per cent of eligible voters. Up to 50 per cent of the electorate is expected to have voted nationwide once all the returns are counted.

Voters said the anti-Duvalier clause was the most important in influencing their vote, and Mr Bob White, a former US ambassador heading an independent observation team said: "We are seeing a massive vote against the past."

Only one violent incident was reported when a gunman in the provincial city of Jeremie tried to prevent people from voting, according to a Haitian radio report.

The low turnout was widely blamed *on government* failure to explain the issues,

Mexican left-wing parties unite

BY DAVID GARDNER IN MEXICO CITY

MEXICO'S two major parties of the left, the Unified Socialist Party (PSUM) and the Mexican Workers' Party (PMT) and three smaller groups have combined to create the Mexican Socialist Party (PMS).

Leaving aside three self-proclaimed left wing parties which function as adjunct's of the ruling Institutional Revolu*tionary Party (PRI), the* reunification leaves out only one significant force, the Trotskyist Revolutionary Workers Party (PRT), and opens up the possibility that the *left may now* play a relevant role in national politics.

The left's has been largely incapable of capitalising on the *discontent caused* by the deep economic crisis that opened with Mexico's financial collapse in 1982. For the past five years the right wing National Action Party (PAN) has instead picked up a growing, mainly middle class protest vote.

But beyond little pockets of influence in the depressed south east, the left has not really squeezed the PRI which, though traditionally all-embracing ideologically, has lost the confidence of a majority of Mexicans, whom it continues to allienate by rigging elections.

The left's major problem has been *that it has produced* dozens of splinter groups rather than mainstream parties. It has also found it difficult to establish a voice clearly distinct *from the formally left-wing programme* of the PRI.

The ruling party's rhetoric has fostered wide-spread cynicism about the prospects of progress for the majority, while its near total power has simultaneously driven home to all that what social and economic advance does take place is available only through official channels. A village needing a new water well would be unwise to seek it through the left wing opposition.

Mexico was home to one of the *first* modern social revolutions in 1910-17. But in the seven decades since then the country has been dominated by the PRI. During that period the left-wing *has spawned* several dofien parties and groups.

Workers vote to end strike at GM truck complex

CAR workers agreed to a setlement over a contract dispute with General Motors yesterday, ending a four-day strike at the company's truck and bus complex, Reuter reports from Pontiac, Michigan.

A United Auto Workers official said members had agreed to a settlement that provided for a $1.3m payment to workers by General Motors for an alleged violation of a 1984 contract, and for the rehiring of about 20 workers who were made redundant when their jobs went to subcontractors.

Some 9,000 workers walked off their jobs at the bus and truck plant on Thursday, but voted overwhelmingly by 1,314 to 25 to accept the settlement.

Workers alleged that the company had violated their contract by assigning work traditionally done by the union to outside companies and violated contract provisions on health and safety issues, work rules, seniority and job classifications.

WORLD TRADE NEWS

Nigeria plans notes issue for trade creditors

BY MICHAEL HOLMAN, AFRICA EDITOR

NIGERIA plans to issue $1.5bn (£938m) worth of promissory notes on April 7 in part payment of uninsured trading arrears accumulated in the early 1980s, it was announced yesterday.

It will bring the value of notes issued to around $3bn, but traders are thought to be claiming a further $2bn to $3bn, a figure which is disputed by the Nigerian authorities.

The announcement, by the Law Debenture Trust, which is the trustee for the holders of some $1.5bn worth of notes already issued, *is seen by creditors as an important step* towards the resolution of a complex problem, which goes back to the early 1980s, when Nigeria's oil revenue started to *fall and arrears in trade payments,* both insured and uninsured, mounted.

The Nigerian Government attempted to resolve the prob*lem of uninsured trade arrears* by issuing promissory notes carrying interest at 1 per cent over Libor (London Interbank Offered Rate), with maturities *of six years and a grace period* of two-and-a-half years. The principal was due to be repaid in 14 equal instalments.

However, shortly before the *first instalment* was due, the Nigerian central bank told noteholders last October that it was unable to make the payment. The bank said it *would call a meeting of note*holders to negotiate the new terms, but in the meantime also failed to make an interest payment on the notes which fell due on January 5.

This meeting has yet to take place, but yesterday's announcement said that the central bank planned to hold it at "an early date." The meeting will include the holders of the new notes to be issued on April 7.

The Law Debenture Corporation said yesterday that it had appointed Mr David Murison as the financial adviser representing the interests of the noteholders in the forthcoming discussions. Mr Murison, an experienced international banker, is currently chairman and director of both Mase Westpac Limited and Billingsgate City Securities.

The most demanding of Mr Murison's tasks is to resolve the wide gap between uninsured trade claims which have so far been recognised by the Central Bank and the total claims submitted by traders. Efforts to "reconcile" the two have been under way for nearly five years, but a wide gap remains.

Nigerian officials point out that corruption was rife in the early 1980s and maintain that many claims are either inflated or fradulent. Traders say that the bulk of the claims are legitimate, and are increasingly angry about the delay in completing the reconciliation exercise.

Last week Nigeria completed the first of a series of bilateral rescheduling negotiations with export credit agencies, covering insured trade arrears, when it reached agreement with Britain's Export Credit Guarantee Department.

HK attacks textile quotas

BY ANTHONY MORETON

HONK KONG has been severely and unfairly penalised by the quota restrictions placed on it in the extension of the Multi-Fibre Arrangement (MFA) according to the colony's Government.

"Such penalties are grossly inequitable," it claims, because of its own completely open-door policy on imports.

The MFA is the international agreement, operated by the General Agreement on Tariffs and *Trade (Gatt),* which regulates the vast majority of trade in textiles and clothing. It was set up in 1974 and subsequently extended in 1978, 1982 and last year.

Hong Kong claims its share of UK imports of these products has dropped from 16 per cent under the first arrangement to 13 per cent under the subsequent accord 2 and 10 per cent under the third arrangement.

Such a squeeze, it says, is counter-productive to the UK's declared intention that newly-*industrialised countries* should open up their markets."

Jardine backing for Hong Kong airport

By Kevin Hamlin in Hong Kong

JARDINE MATHESON Holdings, Hong Kong's oldest trading house, has said it is ready to contribute 5 per cent of the capital to a private consortium led by Hopewell Holdings, the property group, to develop a new airport west of Hong Kong, according to Hopewell's executive director, Mr Stewart Elliot.

The HK$25bn (£2bn) project proposes an airport on one of four sites, and envisages port facilities, an underground railway and highways linking it to Hong Kong Island, the Kowloon Peninsula and China. The consortium is also backed by Cheung Kong Holdings and Hutchison Whampoa, companies in the stable of Mr Li Ka-Shing, the property magnate.

Mr Elliott said the agreement was reached at a meeting between Mr Gordon Wu, Hopewell's managing director, and two Jardine directors, Mr Henry Keswick and Mr Robert Kwok.

The development comes in the wake of a row between the two companies resulting from the leak of an internal Jardine memo to the local press.

The memo, *from* Mr Martin Barrow, Jardine's managing director, to Mr Keswick, the group's former chairman, said the Government had doubts about Hopewell's ability to pull the project off, and that Jardine would be considered a more suitable partner.

Mr Elliott responded by say*ing Jardine* was "jealous because Hopewell has come along with an airport proposal which is supported by the Chinese authorities and the *local business* community."

Mr Wu has said the consortium will raise HK$35bn, with the Hongkong and Shanghai Bank and Citibank providing loans for the remainder. Mr Wu said Hopewell and Cheur Kong would each contribute 20 per cent of capital. Jardine's 5 per cent stake would amount to HK$250m.

The Hong Kong Government's response to the project was initially lukewarm, but in February a team of top officials met with representatives of the consortium for discussions.

The Government jettisoned similar plans for an airport in 1982 because it was considered too expensive.

Colina MacDougall reports on growing economic contact

Moscow and China expand ties

TRADE between China and the Soviet Union increased by more than a third last year to $2.6bn, with Chinese exports at $1.2bn and imports at $1.4bn.

Economic relations between the Communist giants have been minimal since the 1960 Sino-Soviet split but under Moscow's post-Brezhnev leaders, particularly Mikhail Gorbachev, commercial and economic contact has boomed.

Moscow, which last year overtook its nearest rival, Singapore, is now China's fifth largest trading partner. While Moscow contributed less than 4 per cent of China's total trade, compared with its number one partner Japan with 23 per cent, *its share of* trade has an importance far beyond mere size.

At a time when Moscow is eagerly wooing Peking, more exchanges mean more working contacts between officials and more Soviet technicians advising in Chinese industry after the 27-year break.

An important financial factor is that purchases from Moscow are paid for by barter, not hard currency which is in short supply in China. Peking has realised that the Soviet Union can supply perfectly adequate industrial equipment in exchange for silk ties and bamboo shoots.

One crucial area for China is electric power generation. The power shortfall last year was officially estimated at 14,000 Mw of capacity and the need for power is growing.

This area is so vast that Japan, Europe, the US and the Soviet bloc could all expect to win sizeable contracts. Indeed all, including the Soviet Union are now doing so.

Last autumn Soviet officials signed a deal for 10 sets of 210 Mw generating units at almost $500m to be installed in four Chinese power plants. This was part of a much bigger deal for 6,800 Mw of equipment which China will buy before 1993. A 1,000 Mw power plant at Yiming in north-western China has already been agreed.

The *basis for trade growth* has been the $14bn five-year trade agrrement signed in 1985. A co-operation agreement was also signed under which *the Soviets were to build seven* plants in China and modernise another 17 built with Soviet aid in the 1950s.

The bread and butter of the trade is a Chinese swap of agricultural and light industry products for Soviet rolled steel timber, fertilisers, machinery and cement. To boost exchanges both countries last year held exhibitions in one another's capitals for the first time in 30 years. *New rail and shipping* agreements were also signed.

Joint projects agreed include a 20m tonne a year open cast coalmine at Yiming and renovations to a paper mill and ore dressing plant.

Under separate agreements, joint development is planned along the Amur River on the Sino-Soviet border in the south-east. This will involve water and soil conservation plus development of hydro-electric power. The go-ahead for this was given at recent border talks in Moscow. Both sides appear ken on expanding the joint approach.

Some cross-border joint projects have already begun such as an enterprise at Manzhouli in China's north-east where the Soviets provide fertiliser and fuel while the Chinese grow and supply vegetables.

Cross-border trade is small at present but Moscow's problems in supplying consumer goods to its far east regions creates a huge gap which China could fill.

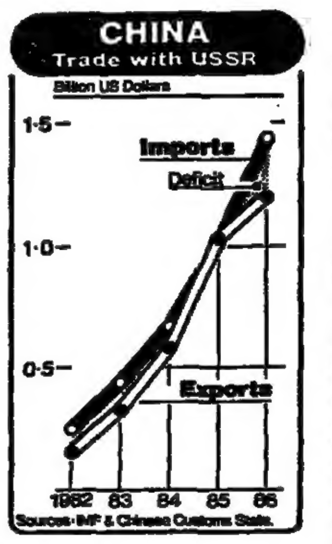
Strategic considerations may mean strict limits to rising border traffic but it still has important potential *for* Sino-Soviet trade as a whole.

SHANGHAI YARD WINS ORDER

The China State Shipbuilding Corporation has signed *contracts to build two 6,050* deadweight reefers each for C. F. Ahrenkiet of West Germany and the Cyprus-based Columbia Shipmanagement. Each vessel will cost about $10m (£6.25m).

A spokesman said the two buyers each have options for two additional ships of the same type which can be exercised by September.

The four ordered vessels will be built by the Shanghai Shipyard, which is owned by China State Shipbuilding, and will be delivered in 1989.



Venezuela in coal project

By Joe Mann in Caracas

THE Venezuelan National Oil Company *said it* would sign a letter of intent with Agip Carbone, a subsidiary of Italy's ENI, and Atlantic Richfield (Arco) of the US to develop a coal project in western Venezuela.

The Venezuelan company, Petroleos de Venezuela (PDVSA) said the letter of *intent* would leave the door open for association with a third foreign partner, Carboex of Spain.

The project, to be managed by a PDVSA) subsidiary called Carbozulia, will be the largest coal development in the country and has been discussed for more than a decade. It involves developing an open mine at the Guasare coal fields in Zulia state and producing up to 6.5m *metric tonnes of coal* a year for export

Puerto Rico plans tax incentive

BY CANUTE JAMES IN KINGSTON

PUERTO RICO is considering new proposals to grant tax credits to Japanese companies investing in the island. Mr Rafael Hernandez Colon, governor of Puerto Rico, said the proposals involved "tax sharing" between the islands' administration and the companies.

Several Japanese companies *are operating in the US's Carib*bean possession but the administration is hoping to attract more through an agreement with the Japanese Government, similar to *section 936 of the US* tax code.

This allows tax-free repatriation of earnings, encourages US companies to deposit their profits in the island, and permits the island's administration to impose limited tollgate taxes on repatriated earnings.

Although Mr Hernandez Colon and other government officials have played down the reasons for the failure to conclude a tax treaty with the Japanese, it appears the effort was killed by the US state department.

It was construed in Washington as a loophole for further and large-scale Japanese penetration of the US market, and was also thought to be a violation of *the island's* constitution. As a part of the US, Puerto Rico has limited leverage in concluding foreign political and economic agreements unilaterally *without approval of the* state department in Washington.

Government officials say the new effort to tap Japanese investments will be discussed by the state department in Washington

Mr Hernandez Colon also said that Puerto Rico, which has surplus electricity, was planning to sell power to the neighbouring Dominican Republic.

The electricity would be sent by submarine cable, for use mainly in the eastern Dominican Republic, which has inadequate supply.

The governor said the Dominican Republic could build its own power plant, but that this would cost about $450m (£281m). The facility for sending power from Puerto Rico would cost about $70m but *Mr Hernandez Colon said* the financing was not yet agreed.

The project, however, is meeting opposition from some quarters in the Dominican Republic, because of fears that the country could become too dependent on Puerto Rico for a significant part of its electricity needs.

Japanese shipbuilders to cut capacity

By Yoko Shibata in Tokyo

JAPAN'S shipbuilders have received permission from the country's Fair Trade Commission to form a cartel to cut production.

The shipbuilding companies have been *hit* by the steep appreciation of the yen and difficult international and domestic markets.

The cartel, which will be effective for one year from April this year, will allow the 33 companies accounting for the bulk of Japanese shipbuilding to reduce or mothball capacity by 25 per cent.

The aim is to cut annual output to 2.998m compensated gross tons (CGT), less than one-*third of the 1973-75* peak of 9.8m CGT.

Around 35 per cent of shipbuilding capacity was disposed of in the first 1979-82 recession cartel.

This reduction in capacity, however, provide insufficient and, under guidelines set by the Transport Ministry, output for the 33 shipyards was set at a ceiling of 4.1m CGT for fiscal 1985 and 4m CGT for fiscal 1986 ending this month.

Demand for new vessels in fiscal 1987 which begins next month is expected to fall to about 3m CGT and so the industry decided to form a recession cartel to reduce production by some 25 per cent.

Shipbuilding output by the 33 companies accounted for 88.2 per cent of the industry's total in fiscal 1985.

R-R to build Perth plant

By Michael Donne, Aerospace Correspondent

ROLLS-ROYCE is to spend up to A$15m (£6.5m) on a new factory in Perth, Western Australia, to build jet engine turbine blades, in a joint venture with three Australian companies.

These are *Clough Engineering,* Circuit Technology Holdings and Westintech Innovation Corporation. Rolls-Royce will have 50 per cent of the venture.

The venture *is* part of an offset deal with the Australian Government following the purchase by Qantas, the Australian flag airline, of Rolls-Royce engines for its Boeing 747 Jumbo jets.

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Kevin Done reports on Swedish Match's acquisition of Wilkinson Sword

Growing in shadow of the match king

SWEDISH MATCH still has some way to go before it re-establishes the overwhelming dominance of the world match industry built up by Sweden's legendary "match king", Ivar Kreuger, during the 1920s, but the acquisition of Wilkinson Sword, hitherto its closest rival in the world market, puts the company in a different league from its competitors.

With Wilkinson's 7.5 per cent share, Swedish match now controls around 25 per cent of the world market.

Even before the acquisition Swedish Match manufactured matches in more than 30 factories in 22 countries, and it is now adding Wilkinson's production base with plants in 13 countries including key new markets for Swedish match such as Brazil and Australia.

Swedish Match is one of Sweden's most famous multinationals thanks to its chequered history under the leadership of Ivar Kreuger.

Largely backed by US capital the "match king" established the company's dominance during the 1920s through a far-reaching series of monopolies around the world, gained through the granting of jumbo loans to different countries short of foreign currency. By 1930 Swedish Match claimed control over 150 factories in 35 countries with 60,000 employees.

In 1932 Kreuger's empire crashed and he shot himself in his Paris flat, but Swedish Match survived, albeit in straitened circumstances.

The takeover of Wilkinson Sword gives Swedish Match a control of the UK market never achieved by Kreuger. Swedish Match first came into the UK market in 1927, when British Match was founded through the merger of some Swedish Match companies then operating in the British empire with Bryant and May, the leading English match company.

Swedish Match held at best close to 50 per cent of British Match, but its share fell to 33 per cent when British Match acquired Wilkinson Sword in 1973. By the mid-1970s Swedish Match was again in financial problems.

With a pressing need to free up capital it was forced to give up its ambitions for gaining full control and sold its minority to Allegheny of the US, but it was only a temporary retreat.

After difficult years in the 1970s and early 1980s, Swedish Match is back on the warpath and expanding rapidly through acquisitions.

By the end of last year the group had total sales of SKr 10.89bn (£1.06bn) with its activities spread across diverse business areas such as flooring, kitchen equipment, packaging, chemicals and consumer products including paper products for the table, matches and lighters.

Of last year's sales some 26 per cent came from Sweden, 26 per cent from Europe excluding the Nordic countries, 19 per cent from the Nordic countries excluding Sweden and 15 per cent from North America.

In December it announced its biggest takeover to date with the DM 300m (£102m) acquisition of Pegulan, the West German flooring group, from BAT Industries of the UK.

The acquisition of Pegulan, which is being added to Swedish Match's existing Tarkett subsidiary, has established Swedish Match as the leading flooring group in Europe and second in the world after Armstrong of the US.

Following the takeover of Wilkinson Sword and Pegulan, the group expects a turnover of around SKr 15bn.

Since the crisis of the late 1970s, when the group's profits nose-dived and its balance sheet became seriously over-stretched after a period of wild growth, Swedish Match had undergone a period of drastic restructuring and concentration.

It has disposed of more than 40 companies, but as the group slowly recovered its financial health, it also began a new programme of acquisitions, which apart from Pegulan and Wilkinson sword have included the Cricket Disposable Lighter operations from Gillette of the US.

Proof that the group is finally back on a profitable track came last year when profits (after financial items) jumped by 39 per cent to SKr 500m with the return on equity rising to 15 per cent from 9 per cent in 1985.

Less than blissful union in the arms of Allegheny

BY FIONA THOMPSON

WILKINSON SWORD, the company that gave the world a smoother shave, has long had a reputation for quality. This remains undimmed, but in recent years it has been seen as complacent and somewhat old fashioned.

Its 6½ year alliance with Allegheny International, the Pittsburgh-based conglomerate, has not been all bliss, far from it. The terms of the marriage in 1980 were to provide Allegheny with a spearhead for its expansion into international consumer goods and Wilkinson with much needed investment capital.

These bright hopes had become badly tarnished by August last year when Mr Robert Buckley, the flamboyant chairman of Allegheny, suddenly resigned after a $109m loss in 1985 following three years of declining earnings.

Mr Buckley was an acquisitive chairman. As Allegheny found it increasingly difficult to live with the resulting interest debt, bits of the companies acquired had to go. Swedish Match will have in Wilkinson Sword a three-division company, down from six in the early 1980s.

Wilkinson's writing instruments division, its packaging business and protection products division have all been sold, leaving intact the home and garden, shaving and match units.

The company's matches division, Bryant & May, includes the Swan Vestas, England's Glory and Scottish Bluebell brands as well as Clipper and Chukka lighters. This division accounts for 49 per cent of Wilkinson's British sales.

The home and garden sector, including garden tools, scissors and the Kitchen Devil knife range, accounts for 25 per cent of sales and the shaving division about 29 per cent.

The company has a grand history. It was formed in 1899 from a business established in 1772 by one Henry Nock, gunsmith to George III and manufacturer of swords and guns. Cut-throat razors were made from the 1890s; in the First World War production switched to bayonets and with peace came garden shears and the restart of razor production.

It was its development of the world's first polymer coated stainless steel razor blade in the early 1960s that really caught the attention of the world's shavers – and Wilkinson's main competitors.

"Wilkinson was way in front for three years. The trade was on ration. It was the first major breakthrough since the invention of the safety razor," said Mr Colin Milbourne, Wilkinson's personnel director. It took the US-based Gillette three years before they had a similar product on offer.

But catch up Gillette did, and it now holds the dominant position in Britain's £53m wet-shave market, with 45 per cent against Wilkinson's 30 per cent. Wilkinson suffered badly from its failure to respond to the introduction of the disposable razor by Bic, the French group, in 1977.

It is not possible to gauge Wilkinson's overall performance within Allegheny's various divisions, but analysts estimate an increase in turnover from $300m to $330m between 1984 and 1985 and a rather slower increase in profits.

Privatisation hint for electricity

By Ivor Owen

A FURTHER HINT that privatisation of the electricity supply industry could feature in the Conservative Party's election manifesto was given by Mr Peter Walker, the Energy Secretary, in the House of Commons yesterday.

His emphasis on the fact that the Government had "no present" plans to undertake such a policy initiative was clearly regarded by some Conservative backbenchers as an indication that they would not have long to wait for such a proposal to emerge.

Mr Teddy Taylor (Conservative, Southend East) urged Mr Walker to build on the success achieved by the privatisation of British Gas, suggesting that one variant which might be employed would be to privatise the separate area electricity boards rather than the industry as a whole.

Mr Walker agreed that the privatisation of British Gas had been an outstanding success and acknowledged the need to bear in mind the lessons learnt from that operation in "any consideration one gives to the future of the electricity boards."

Woolworth buys the Superdrug chain for £233m

BY LISA WOOD

WOOLWORTH HOLDINGS yesterday announced an agreed bid, worth £233m at last night's closing prices, for Superdrug, the 297-strong discount drug store chain.

The bid comes on the heels of Woolworth's abortive bid for Underwoods, the London-based chemist chain.

Mr Geoff Mulcahy, chief executive of Woolworth Holdings, said the deal was not a last minute alternative to Underwoods. "This deal has come out of a long period of contacts between our two companies," said Mr Mulcahy.

Woolworth is offering 17 new Woolworth Holdings ordinary shares for every 20 Superdrug ordinary shares with an underwritten cash alternative. Superdrug's share price closed last night at 653p per share, up 173p. Woolworth Holdings closed at 790p per share, down 40p.

Irrevocable undertakings to accept the offer have been given in respect of 61 per cent of the issued ordinary shares of Superdrug with the families and trusts of the founders of the chain, Mr Ronald and Mr Peter Goldstein, representing some 33 per cent of the acceptances.

The Goldstein brothers, who will stay as chief executives of Superdrug and join the main board of Woolworth Holdings, will hold about 4 per cent of Woolworth Holding's equity.

Superdrug was set-up 21 years ago and has pioneered the discount "drug store" retailing concept in Britain. Unlike traditional chemists, including Underwoods and Boots the Chemist, Superdrug does no National Health Service dispensing. It is committed to a limited range of discount toiletries, including personal body care products and household cleaners, with an emphasis on own-label products.

The company, which went to the Stock Exchange in 1983, has demonstrated strong growth over the past few years. It claims a 37 per cent share of the discount drug store market and some nine per cent of the UK toiletries market (which excludes cosmetics). It made a pre-tax profit of £12.3m in 1986–87, an increase of 18 per cent on 1985–86.

Woolworth Holdings is committed to developing itself as a specialist retailer and the acquisition of Superdrug will be a further strand in this strategy.

While Superdrug has its own store expansion firmly in train, Woolworth, which is rationalising and refurbishing its Woolworth chain stores, is able to offer it a number of retail sites which may be superfluous to the needs of its Woolworth stores.

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Telephone repair charges criticised

By David Thomas

A LEADING organisation representing telephone customers has complained to the Office of Telecommunications, the industry's regulatory body, about British Telecom's decision to charge for guaranteeing to repair faults within a specified time limit.

Separately, BT yesterday said it intended to charge for directory inquiries as soon as the service was operating satisfactorily.

BT is introducing three new types of contract for customers who want a better repairs service than that offered at present.

Under one type of contract, called Prompt Care, customers can pay £3.80 a quarter (24 per cent of the rental for a single line) for a guarantee of a four-hour response to fault reports between 8am and 5pm, Monday to Saturday.

Under Total Care, customers can pay £10.45 a quarter (66 per cent of the rental for a single line) for a four-hour response round the clock.

Ms Vivienne Peters, director of the Telecommunications Users' Association, said her association was worried that BT would have no incentive to maintain an adequate repairs service for those people paying just the standard rental.

Labour sets out partnership strategy for the economy

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR Party yesterday unveiled its ideas for a programme of partnership between government, industry and the trade unions aimed at ending what it decribed as "eight wasted years" of economic mismanagement.

Helping to launch the proposals, after returning from Washington and his controversial meeting with President Reagan, Mr Neil Kinnock, the Labour leader, outlined the third major element in his party's programme for national renewal.

"Work to Win," which has been jointly drawn up with the Trades Union Congress, says the two sides have "rejected the easy path of concession and the more dramatic but equally damaging strategy of confrontation" as the means of achieving a sustainable improvement in Britain's economic performance.

The programme calls for a new, national economic assessment in which all sides of industry will undertake a thorough and frank review of economic priorities, constraints and solutions.

The document repeatedly emphasises the importance of close, constructive co-operation and both Labour and TUC leaders say they intend to face up to hard decisions and to manage necessary change "without resort to conflict".

The plan includes Labour's previously announced plans to create more than 1m jobs in two years and a five-year jobs and industry strategy built around a long-term programme for investment in manufacturing capacity.

It also re-emphasises Labour's commitment to the establishment of a statutory minimum wage, which will be regularly reviewed, as well as its proposals for a strengthened Department of Trade and Industry and for the creation of British Enterprise, the state holding company to provide equity financing for industry.

Saunders to sue Roux for libel

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR ERNEST SAUNDERS, the former chairman and chief executive of Guinness, intends to sue Mr Olivier Roux, the company's former finance director, for libel, the High Court was told yesterday.

The intended proceedings were mentioned when Mr Saunders complained that his family solicitors were caught in a conflict of interest because they were now also acting for Mr Roux.

The court was read evidence in which Mr Saunders referred to conflict between himself and Mr Roux and stated that he had started proceedings against a number of people, including Mr Roux.

Mr Roux had made a number of allegations about the £5.2m payment made by Guinness to a Jersey company, Marketing and Acquisition Consultants, Mr Saunders stated, adding that he vigorously denied the allegations.

The court was told that the solicitors, Denton Hall Burgin & Warrens, who for many years had acted for Mr Saunders and his wife, had recently accepted instructions to act for Mr Roux in connection with a matter involving the Department of Trade and Industry, which had involved making allegations against Mr Saunders.

Mr Saunders asked the court to give guidance on whether the solicitors should continue to act for Mr Roux. The court heard that the solicitors had told the Law Society that the partners advising Mr Roux were entirely different from those who advised Mr Saunders.

The hearing continues today.

Leisure group's chief leads buy-out attempt for company

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

MR HARRY GOODMAN and other senior directors and management of the International Leisure Group (ILG) are seeking to buy out existing shareholders and take the company private in a move aimed at expanding the group's airline operations.

The proposed buy-out, details of which are expected to be released on Thursday, ends a week of speculation about a mystery buyer for the company which had seen the ILG share price climb steeply. Last night ILG closed at 180p, down 8p on the day.

Mr Goodman, the entreprenurial founder of ILG who has a 15 per cent stake in the company, claimed yesterday that the buy-out deal was "one of the biggest ever of its type." At last night's closing price the company is valued at just over £91m.

Mr Goodman said the main reason for the buy-out was to enable the company significantly to expand its Air Europe operations "without the City breathing down our necks."

"The City takes a short-term view and our airline expansion will mean that our profits do not grow so fast in the short term. If we are private then we can develop the business with the medium and long-term in mind."

ILG plans to have some 27 aircraft operating by 1990, compared with six at present. The airline will operate scheduled as well as charter services to Europe.

Mr Goodman said that the airline expansion, details of which will be released later this week, will cost about $370m spread over three years.

ILG's pre-tax profits in the six months to the end of September 1986 were some £6m lower at £23.2m, including aircraft sales, compared with the same period in the previous financial year. But operating profits, on which the market evaluates the shares, were 47 per cent ahead at £21.5m.

In spite of record business in the packaged tour holiday market last summer – and buoyant early bookings for this summer – there are fears in the travel trade that profit margins could be cut this year if the major operators are forced to discount prices to achieve their capacity targets.

The management group planning to buy-out ILG comprises Mr Goodman, four other main board directors, and 15 senior executives. Together with Mr Goodman's stake of 15 per cent, these directors own some 16 per cent of the shares.

Men and Matters, Page 26

Caterpillar asks for union to end sit-in

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

CATERPILLAR yesterday appealed to the Amalgamated Engineering Union (AEU) to help end the workers' occupation of the Uddingston tractor plant, near Glasgow, after the workforce voted not to leave the factory.

At a stormy mass meeting the men voted by 368 to 362 – a majority of six – to ignore last Wednesday's high court injunction ordering them to leave the plant. Mr John Brannan, the leader of the occupation, said it was a "tremendous decision."

In the past few days officials of the AEU and the electricians EEPTU, the two unions involved in the sit-in, have urged the leaders of the protest to obey the law and to continue the fight to save employment by means of strike action outside the plant.

The officials were not present at yesterday's mass meeting. Leaders of the protest said yesterday that the occupation would go on until the management returned to the negotiating table.

Caterpillar gave an undertaking in court that it would negotiate with the workforce on future employment possibilities once the occupation ended. But last week it firmly rejected a request by the workforce to start talks before the occupation ended.

Caterpillar said yesterday that it was "deeply disappointed and concerned" at the decision of the hourly-paid workers at the plant. But it welcomed a subsequent vote by the 40-odd members of EEPTU who are involved in the sit-in to dissociate themselves from the decision of the mass meeting which they had attended.

The company asked the AEU to give formal instructions to its members to call off the illegal action.

The national executive of the AEU is expected to discuss the caterpillar issue today. Mr Jimmy Airlie, a member of the executive who has been closely involved with the dispute, is expected to come to Glasgow later this week to speak to the occupation committee.

The Caterpillar occupation began almost eleven weeks ago in mid-January when the US company announced that it intended to close the plant within about a year.

Both union leaders and the Government would like to see the occupation come to an end because they believe it is making it more difficult to find an alternative use for the plant. Caterpillar is determined to close the facility and does not wish to see it used to make earthmoving equipment or components.

While the plant is occupied it is not possible for government officials or prospective purchasers to make a detailed assessment of the alternative possibilities for the facility.

Retailers fight bank on cashless shopping

BY HUGO DIXON

THE RETAIL Consortium, the retailers' trade association, has brought the Office of Fair Trading (OFT) into its increasingly bitter dispute with Barclays Bank over the launch of a new type of plastic money.

The consortium last week informally alerted the OFT to its belief that Barclays is acting anti-competitively in the way it is trying to introduce Connect, a debit card. This will look very much like a credit card, but function more like a cheque in that purchases will be debited direct to a person's bank account within the standard three days.

It has also taken legal advice to find whether it can stop Barclays introducing the card in the way it plans.

Barclays was "using a technique which would not flatter a second-hand car dealer," said Dr Bob Woodman, chairman of the consortium's committee on cashless shopping.

Barclays claims that retailers which have signed up to accept Visa cards will have to accept Connect and pay Barclays the same commission as they pay on credit cards, which averages about 2 per cent. This compares with the 10p that retailers now pay banks to process their cheques.

"They don't have an option," said Mr Peter Ellwood, chief executive of Barclaycard. "If they are Visa merchants, they either have to accept all Visa cards or none."

The implication is that Barclays will not permit retailers to display the Visa sign in their shops if they refuse to accept Connect.

"If they attempt that ploy," came the riposte from Dr Woodman, "we can say 'good riddance' and they will lose their share of the credit card market overnight."

Retailers are angry because they feel Barclays is using a back-door route to force them to accept a charging system they do not want.

Food colouring report

BY LISA WOOD

NEW RESTRICTIONS on the use of certain colours and on the foods which may contain added colours were recommended yesterday in a report by the Food Advisory Committee (FAC), an independent committee which advises Ministers on food additives.

The report also recommended statutory maximum limits on the quantities of colours which may be added to foods.

The FAC said it found no reason to recommend against the continuing use of added colours in food.

Among the main recommendations are:

- Certain colours should no longer be permitted for use in food mainly because of a lack of adequate toxicological data.
- More data are needed on certain colours which the FAC considered temporarily acceptable pending further review.
- Levels of caramels added to food should be reduced significantly because of the high consumption of these substances which may be occurring.
- Ministers should examine the basis of descriptions such as "natural" or "artificial" in relation to consumer understanding and food manufacturing practice.

UK NEWS

Britain urged to promote use of custom microchips

BY PETER MARSH

THE DEPARTMENT of Trade and Industry has been urged to start a campaign to promote the use of "do-it-yourself" or custom microchips. Unless this action is taken, the department has been warned, a British lead in use of the devices may start to slip.

The advice comes in an unpublished report commissioned by the department and produced by a team of consultants headed by Michael Shortland Associates, based *in Guildford, Surrey.*

According to the report, the UK leads the rest of Europe in applications of custom electronic devices, in which designers build up circuits on silicon to produce a chip to their own specification.

The UK market for custom chips in 1986 was $148m (£92.5m), out of a world figure of $2.4bn, the report starts. Many of the biggest suppliers of custom chips in Britain are subsidiaries of overseas companies such as Toshiba, Fairchild, Hitachi, National Semiconductor and Intel. Leading UK suppliers include Ferranti, Plessey and Racal.

Electronics engineers involved in the development of products such as office machinery or telecommunications equipment can design the chips using a combination of desk-top computers and advanced graphics software.

Significant reduction in costs of 20 per cent or more, greater reliability of products and reduced lead times between design and manufacture can follow from the use of custom-chip technology, according to the consultants.

But not enough of Britain's 4,000 small to medium-sized electronics companies know about the benefits of the technology, they say.

"It is suggested that steps be taken to catch the public imagination in order to stimulate longer-term market development in what amounts to a 'second revolution' in microelectronics technology," says the report.

The consultants suggest the Trade and Industry Department, together with suppliers of custom chip technology, establishes a network of "silicon centres" around Britain. These centres would promote the use of do-it-yourself chip production techniques and help small companies new to the methods.

The report says the department should start an awareness campaign on the technology, involving *leaflets, training courses and seminars*, together with a promotion of new custom chip techniques at universities and polytechnics.

Government officials should also try to bring together companies that offer chip-design services with those that could benefit from the technologies.

Technology, Page 12

Welsh economic survey gives surprising vote of confidence

BY ANTHONY MORETON, WELSH CORRESPONDENT

A PICTURE of an effervescent Welsh economy moving ahead at a faster pace than that of the UK as a whole has been presented to the Welsh Development Authority (WDA) in Cardiff.

This surprising survey of an economy that most people assumed *to be in deep depression is now* being mulled over within the WDA and is expected to be published within the next week.

Preliminary findings from the survey, commissioned by the WDA from outside consultants Bowles Research, have been seen by the Prime Minister's advisers. The *team is believed to be impressed* by the WDA's work in regenerating the Welsh economy since its establishment in 1976 and to be considering the agency as a model for any agencies that the Conservatives might propose for parts of England in their election manifesto.

The report states that the Welsh *economy has taken "great strides"* over the past decade in moving away from dependence on declining industries such as coal and steel.

There has been strong growth of modern, high-technology industries, and while there are still "fundamental continuing weaknesses," there are now "significant indicators of real improvement."

In some areas the economy of Wales is outperforming that of oth*er industrial parts of Britain, and in* some cases it is even performing as well as in the prosperous south-east of England.

The report shows that the Welsh economy experienced:

- A faster rise in GDP (gross domestic product) per head – up 15 per cent in 1985, the last year for which figures are available – than in any other part of the UK.
- A fall in seasonally adjusted employment every month since May 1986; a rise in notified vacancies of almost 30 per cent over the past year; and a faster rate of job opportunities than in the UK as a whole.
- A more rapid rate of growth in *self-employment* and better company generation than in other British "smokestack" regions.
- Better performance than the UK economy in "modern" industries such as office machinery, data processing, research and development, rubber and plastics and instrument engineering.

The picture is not one of unrelieved optimism, and the report warns it would be wrong to *ignore* fundamental, continuing weaknesses.

There has been a disappointing failure to increase total employment, and there has also been a poor performance in property, financial and professional services.

The most spectacular improvement, the report states, has been the increase in GDP per head. If the rate of improvement in 1985 is maintained, then Wales would have a higher GDP per head within the next two or three years than the UK as a whole.

The report accepts this extrapolation is unlikely to arise, but even if the *rate of improvement* over the period 1981-85 is maintained, then Wales will overtake the UK average by the end of the century.

Minister defends abolition of councils

By Michael Cassell

SAVINGS *from* abolishing the Greater London Council (GLC) were *now* helping to offset the massive rate (property tax) increases which some of London's Labour-controlled local authorities were now imposing on ratepayers, Mr Nicholas Ridley, the Environment Secretary, has claimed.

Mr Ridley, speaking in London last night on the eve of the first anniversary of the abolition of the GLC and the metropolitan counties, said that, before they were wound up, Labour had fought a determined campaign to preserve their power bases from which to attack the Government. They had spent millions of pounds of ratepayers' money warning of impending chaos, rate increases and reduced public services.

He *said* that, in reality, local government costs had been reduced by £40m in the first 12 months. He also claimed that the Government's forecast reduction of 7,000 posts in London and the other metropolitan authorities would be fully realised, saving ratepayers around £100m a year.

Mr Ridley added that by the end of 1987-1988, the successor boroughs and districts would have received extra cash totalling £431m and an increased capital spending power of over £754m.

He continued: "In London alone, the cash to be distributed by the London Residuary Body in the two years following abolition amounts to around £180 per household.

"The left-wing Association of London Authorities persists in its claim that abolition has cost money. Yet their own ratepayers can breathe sighs of relief that savings from abolition are compensating to some extent for the massive rate rises being imposed by those London Labour councils which are not being ratecapped this year."

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Six-day working 'threat to mine jobs'

By Philip Bassett

EMPLOYMENT in the South Wales coalfield will be halved once British Coal's proposed new drift mine at Margam is in operation, according to national leaders of the National Union of Mineworkers.

The national NUM's contention is likely to be challenged both by British Coal and by the South Wales area of the NUM, which has agreed in principle to new working practices for the mine in order to secure what union leaders there claim will be up to 1700 new direct and indirect jobs.

The South Wales decision is strongly opposed by Mr Arthur Scargill, NUM president, and the union's national officials, and the difference has laid open deep divisions within the union in the wake of the 1984–85 coal strike.

The national NUM's calculation is contained in an internal paper prepared by the union's industrial relations department for a weekend conference on flexibility at Northern College, near Barnsley.

It is important in fleshing out for the first time the argument against the South Wales decision, made so far only in outline by Mr Scargill.

The paper says that British Coal's proposal for six-day-working at Margam and elsewhere together with much more extensive use of "heavy-duty" face technology for obtaining much more coal more quickly "is a threat to thousands of mining jobs."

The NUM's calculations of the impact of Margam on South Wales are based on the 'Wheeler' proposals for new ways of working in the industry drawn together by Mr Albert Wheeler, British Coal's Nottinghamshire area director.

On this model, the NUM argues that there could be a loss of 10,000 jobs in the Yorkshire coalfield by the early 1990s, and says that the current Nottinghamshire output could be mined with 14,800 instead of 26,000 miners.

Working hours underground are restricted to 7½ in any consecutive 24 under 1908 Mines Act.

The national NUM accepts that al though the six-day working proposals for Margam may not increase the actual number of hours worked, the 1908 provisions are all the more important because it will increase the duration and exposure period of miners underground, increasing in turn stress and vulnerability to the likelihood of an accident, disease or illness.

Preferred sites named for power stations

BY MAURICE SAMUELSON

BRITAIN'S FIRST two new coal-fired power stations for more than a decade are likely to be built at Fawley, near Southampton, and at West Burton, Nottinghamshire, Mr Peter Walker, Energy Secretary, said in the House of Commons yesterday.

His announcement underlines the Central Electricity Generating Board's (CEGB) intention to press on with a mixed programme of coal and nuclear power stations between now and the end of the century. With electricity demand growing steadily, the programme will involve replacing about 12,500 MW of the CEGB's present total capacity of just over 50,000 MW.

The CEGB, which intends to seek planning permission around the end of the year, says they have been selected from a list of five possible sites. The others are at Kingsnorth on the Medway, (Kent), Hams Hall in the Midlands and Killingholme on Humberside.

The choice is also subject to "satisfactory technical and environmental assessment". However, Mr Walker's statement, coming only three weeks after his clearance for the Sizewell B nuclear station, will be a further morale booster for Britain's hard-pressed power plant industry.

It is also good news for British Coal, striving to boost its efficiency in the face of cheap nuclear power and falling world coal and oil prices.

The two new stations could burn up to 10m tonnes of coal a year, a tenth of British Coal's annual production. This would not be incremental tonnage, and would help to safeguard mining jobs rather than create new ones.

British Coal has long been lobbying for a new power station at West Burton, despite the CEGB's plea that the main gaps in its generating capacity are in the south of the country. West Burton is a natural customer for Nottinghamshire coal produced by members of the anti-Scargill Union of Democratic Mineworkers, a political factor which appeals to the Government, especially in a pre-election year.

At Fawley, however, the CEGB will be able to expose British Coal to direct competition from low cost Australian or Colombian coal. It is one of the few sites in Britain which can receive transcontinental colliers carrying up to 150,000 tonnes of coal.

Scottish shipbuilder is to lay off workers

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

GOVAN SHIPBUILDING, British Shipbuilders' last remaining shipyard on the Upper Clyde in Scotland, is to lay off up to 1,000 hourly paid workers within the next two weeks.

The yard will have no orders when the Norsea, a 31,000 tonne roll-on roll-off ferry, leaves the yard in a few days time.

The shipyard intends to find other work for about 300 of its hourly paid workers, while about 300 salaried staff will be unaffected. The hourly paid workers on lay-off will receive 75 per cent of their basic pay.

Govan intends to re-engage the men who are to be laid off when it receives new orders.

British Shipbuilders and a team from Govan are presently negotiating a possible order with the Chinese Government for three 60,000 tonne container ships, which would provide work for about three years. The shipyard is said to be optimistic about the chances of winning the order.

The shipyard is also bidding for an order for a cross-channel ferry for the French company Brittany Ferries. But this bid is currently held up by an EEC inquiry into allegations that the French Government has offered unfair subsidies to a French yard to undercut Govan's bid.

Govan is also hoping that the British Government will order a 7,000 tonne cargo-carrying ferry to operate between Britain and St Helena in the south Atlantic. But this order is not likely to be placed until August.

Mr John Smith, Labour's shadow trade and industry minister, said yesterday that the Government should speed up the ordering process to assist Govan.

The £40m Norsea, currently undergoing sea trials, has been completed within a few days of schedule.

SATELLITE BROADCASTING CONFIDENT OF GETTING OFF GROUND

DBS set to hit cash target

BY RAYMOND SNODDY

BRITISH SATELLITE Broadcasting (BSB), holder of Britain's direct broadcasting by satellite (DBS) franchise, is on the verge of completing its first-stage financing of £200m.

BSB's target has been to raise £120m by the end of this month to add to the £80m already committed by the five founder shareholders.

There are now verbal undertakings from potential investors to cover all the £120m and letters of intent have already been received for about £80m. The remaining formal commitments are being finalised by lawyers and are expected to be completed within the next two weeks.

About six substantial corporate investors, including Mr Alan Bond's Bond Corporation of Australia, the brewing and media group, are expected to join the founder shareholders – Granada, Pearson (publishers of the FT), Virgin, Amstrad Consumer Electronics and Anglia Television.

Both Granada and Pearson are expected to increase their stake in the project during the current financing.

Senior BSB executives are now very optimistic that the full £200m to finance the purchase of two high-power satellites and to launch the project will be raised. A formal announcement is expected by the middle of April.

At the third attempt all the signs are that British DBS – the broadcasting of three new channels of national television from space to dish aerials 30 to 40 centimetres in diameter on individual homes – is finally going to get off the ground.

The total cost of the venture, scheduled for launch in the autumn of either 1989 or 1990, is expected to be £625m. Illustrative projections sent to potential investors by BSB suggest that the annual profit in the final years of the 15-year franchise could top £1m.

BSB this week choose its satellite provider from three short-listed suppliers, British Aerospace, and Comsat and Hughes, both of the US.

All three organisations gave presentations to BSB last week and have to provide additional information by this morning. Comsat's satellites are believed to be the cheapest because they are left over from a failed DBS project in the US.

British Aerospace, however, is still in the race although the company has been asked to provide more information on how it could help with the financing of the satellite purchase and what level of commitment the British National Space Centre might be able to give. A Government space programme is now before the UK Cabinet for decision. DBS is likely to be free to choose the cheaper Comsat satellites if it wants to do so, as long as the independent Broadcasting Authority, which regulates DBS, is satisfied about their technical reliability.

Britain's roads to have £152m repairs

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE TRANSPORT Department yesterday announced details of a record £152m motorway and trunk roads maintenance programme for the coming financial year.

This is the biggest annual repair programme ever mounted by the Department of Transport (DoT), breaking the 1986/87 record of £145m. Around £86m will be spent on repairing 80 miles of motorway, and the remainder on the 200 miles of trunk roads.

Mr Peter Bottomley, the Minister for Roads, warned motorists to expect delays and traffic jams in some areas although disruption would be kept to a minimum.

Mr Bottomley said the DoT had been trying for six years to catch up with a backlog of repair work, caused by cuts in spending during the last Labour Government.

"A few people have complained that there are too many roadworks and too many delays, but that is the price we must pay for having reduced the backlog of work to 3 per cent," he said.

Lane rental contracts, under which contractors are paid extra for finishing work early, are being used on about 30 of the biggest repair jobs.

These contracts reduced the amount of time spent on repairs by 38 per cent last year, Mr Bottomley said.

He said the worst hold-ups were likely to occur on the M1 motorway, near Luton, Bedfordshire, between April and October.

Severe delays are also expected on the M6 at Preston, Lancashire, and the M20, near Maidstone, Kent.

● Narrow traffic lanes are to be introduced in both directions of the two-mile Severn road crossing, as part of a programme of strengthening and resurfacing work. The new lane markings will be introduced over the next two or three weekends, and there may be temporary lane closures while this is done, the DoT said. Trial narrow lanes have been in operation on the westbound carriageway of the Severn suspension bridge since April 1985.

● Tests on the 13 miles of elevated M6 and M5 motorway in the Midlands have disproved claims that the construction was insufficiently strong, the DoT said.

Survey claims job outlook improving

BY CHARLES LEADBEATER, LABOUR STAFF

THE PROSPECTS for employment growth have improved significantly from the start of the year and is marginally better than the same time last year, according to a quarterly survey of the jobs outlook among employers conducted by Manpower, the temporary employment agency.

The survey found that a balance of 20 per cent of employers plan to take on staff in the second quarter of the year, with 10 per cent expecting to shed labour and 30 per cent planning to recruit.

This compares with a balance of 3 per cent of firms who said they planned to take on labour in the first quarter, and is two points above the level recorded a year ago.

Manpower says the planned employment growth is distributed across all sectors of the economy and regions.

About 28 per cent of manufacturing companies expect to take on workers, 6 per cent more than the start of the year and one point up on a year ago.

A third of service sector companies expect to take on labour, a 17 per cent rise over three months ago, and 7 points higher than a year ago.

The job growth will not be concentrated on the more bouyant areas of the economy, the survey predicts.

Employers in areas, such as the East and West Midlands, Yorkshire, the North-East and Scotland are more optimistic about job growth than a year ago.

Charles Batchelor writes: The Department of Employment (DoE) yesterday launched a campaign to explain employment law in simple terms to small businessmen in an attempt to encourage them to take on more workers.

The campaign takes the form of a series of 10 leaflets, illustrated with cartoons, explaining issues such as maternity rights, redundancy, dismissal and the requirement for printed and itemised pay slips.

"The Manpower Survey of Employment Prospects." Manpower House, 270-272 High Street, Slough, Berkshire.

Aerospace takeover 'to provide 600 jobs'

By Michael Donne

MORE THAN 600 new jobs in the aerospace industry over the next two years are expected to result from the takeover of Aviation Traders (Engineering) (Atel), a subsidiary of Aer Lingus based at Stansted, north of London, for an undisclosed sum by the privately-owned Qualitair Engineering, part of the Cambridge-based Qualitair Group.

Announcing his new purchase yesterday, Mr Peter Bottomley, chairman of Qualitair, said the group planned to build a new £17m engineering facility at Stansted, now being developed as the third major airport for London.

The new engineering base would become operational by November, next year, to handle aircraft maintenance and overhauls at the expanding airport.

Mr Bottomley said this expansion meant that the present 650 employees of Qualitair and Atel combined would expand to 1,300 by 1989, with the group's annual turnover rising from the current combined £30m to over £50m by the early 1990.

Mr Bottomley saw future growth coming from the sale of British aviation engineering expertise to foreign and Third World airlines. He said the acquisition and promise of major investment at Stansted had been welcomed by the unions and the aerospace industry.

● Air France, the French national airline, began its first regularly scheduled services between Stansted and Gatwick, London, airports and Charles de Gaulle in Paris.

The Gatwick-Paris route will henceforth be three times daily on week-days (twice on Saturdays and once on Sundays), while the Stansted-Paris route will be twice daily on Mondays to Fridays.

A new Scottish airline, Chieftain Airways, began operations yesterday, with weekday flights between Glasgow and Brussels, Edinburgh and Frankfurt, and Glasgow and Hamburg. Other new services linking Scotland with Copenhagen, Gothenburg, Geneva and Milan will start soon.

Part 7: Inequalities have widened during the Thatcher years, but the deepest divisions are in the mind, says Joe Rogaly. Below, Clive Wolman finds contradictions in the Government's crusade for popular capitalism

The Everton district of Liverpool: plenty of scope for re-building

Divided they stand

IF THEY come back for a third term they will be insufferable. This may not be your view, but it is surely that of the people who say of the Prime Minister that they cannot abide the woman. (My own view is that three consecutive terms is bad for the humility of any politician or political party). Such opinions must of course be set against the prevailing business and industrial orthodoxy, which has it that Mrs Thatcher is the nation's saviour, a marvellously successful leader who needs another four or five years in which to complete her vital work. The juxtaposition is important, for it is her outlook on life, her *Weltanschauung*, that has most patently divided the British people.

It is here more than anywhere else that there are two nations. There is certainly greater inequality of income and possibly even of wealth than there was in 1979. There are specific areas of need and hardship. There are disgruntled communities, some of them smouldering with potential violence. There are 3m-plus out of work. These conventional characteristics of a divided society will be discussed in a moment.

But first it is important to set the context: Britain's principal divide is in the mind. On one side is a collection of minorities that cannot be expected to share the *Weltanschauung* of Thatcherism—blacks who mistrust the police; trade union officials who feel castrated; academics who feel misunderstood; the homeless, protagonists of sexual politics; beleaguered practitioners in the National Health Service or the social security administration; above all the long-term unemployed.

The list could be extended; what binds it is a cohort of middle-class intellectuals who feel that it is somehow wrong, somehow against the conscience, to accept a world-outlook that denies the warm comforts of the 1960s and 1970s and demands responsibility from individuals, cohesiveness of families, and a contribution from the able-bodied to their own well-being.

On the other side are those who feel that it is just this collection of characteristics that is required if Britain is to survive, let alone prosper as a modern economy. This feeling is paramount among people in charge or aspiring to be: certain shadow ministers as much as those in office; senior civil servants; the new breed of managerial administrators in the public sector and, most of all, the business community.

It is this division in the mind that leads to so much confusion about the real divisions on the ground. One of the most confused notions is that of the "north-south divide." It implies that virtually all the wealth is in the south, or even the south-east, while the rest of the country is a zone of unrelieved devastation.

The truth is that there is an archipelago of wealth in the north, just as there is an archipelago of poverty in the south. For example, parts of Brixton or some of the council estates around Kings Cross in London are as depressing as their counterparts in, say, Manchester. This is not to assert that there is nothing to concern ourselves about in the north.

In Birkenhead, to take one instance, the Ford estate is in a terrible condition: the Soweto of the north-west. Sheets of corrugated iron block up crashed-out windows and rooflines. Twisted, derelict prams and shopping trolleys clutter the streets. The people look sullen, and ill-dressed. Your guide tells you dark tales of domestic violence and internal rule by a Merseyside Godfather; they seem all too believable. These are not blacks, as in Toxteth; rather the detritus of a rehousing programme that went wrong.

Just a few minutes out in the nearby Wirral green belt sit the large, fat, detached houses, their protective plaques proclaiming: "This is a Home Watch area." The apparent fear is not of revolution, but of burglary. There are other estates in Birkenhead, cleaner and more conventional than Ford, and it is from these that the unemployed emerge, to head for cash-paid "work on the side" in the delightful villages to which Liverpool's professional and business classes commute.

How much work on the side? The evidence can only be anecdotal, but a Wirral mature student, who has spent many years in the area and observed his friends and neighbours from more than one address, suggests that about a tenth of the unemployed have enough such work, regularly, to make them considerably better off on supplementary benefit than if they were in an orthodox job. A further fifth are "reasonably off" and the central 45 per cent get "bits of work here and there," mainly to cover unexpected bills. The remaining quarter are recent entrants to the ranks of the long-term unemployed, "problem cases," and the seriously unemployable. They have to manage on supplementary benefit alone.

Rates vary. If you are unemployed and able to work the basic weekly amount for a couple will be £49.35 from April 6. For pensioners, or the disabled the rate for couples will be £61.85. Something to cover rent and rates, is added. So are other "additional allowances," for items such as heating.

If the orders of magnitude for work-on-the-side are even close to the truth they suggest a fresh approach to the problem of the long-term unemployed. Those who reject Thatcherism will regard it all as a consequence of her policies; those who embrace the Prime Minister's attitude with enthusiasm will, surely, applaud the resourcefulness that lies behind the black economy even while wondering whether too many people are getting away with it.

Birkenhead is not really getting away with much. It is in a high unemployment travel-to-work area (over 17 per cent) which lies close to a medium area (9 to 17 per cent) and not very far from low unemployment areas (below 9 per cent) to the north and west of it. In the north-west as a whole the probability of finding a job within a year of becoming unemployed is 80 per cent. Only the West Midlands, at 79 per cent, is lower; East Anglia, at 85 per cent, has the highest chance in the country.

When the analysis is narrowed down to districts or even wards the same complex pattern is seen. In London the transport authority is having trouble filling posts in one part of the city with employees made redundant in another. There is a certain constancy in the rates of unemployment on council estates everywhere. Everywhere the prosperous majority sits close by.

Financially active neighbourhoods: Merseyside

Each dot represents 150 households

In Birkenhead a good place to have coffee while discussing the poor is Beattie's. As you talk you can stare through to the fine china and glassware department, where the opulence is remarkable. It could almost be Harrod's. That is not an isolated example.

The dynamic chief executive of Argos Distributors, Dr Mike Smith, has more than doubled turnover during the Thatcher years (1980-86). The highest growth, 114 per cent, came in the Midlands and the next, only a percentage point less, in the northern region. His top stores last year were, in order: Belfast, Glasgow, Manchester, Newcastle upon Tyne, Doncaster. New Oxford Street came sixth.

Of course they have opened more showrooms outside London, partly because there are more sites available. The average price per unit sold is lower up there. Perhaps there is less competition. But Dr Smith also wonders about income from the black economy and muses that, for those in work, the relatively lower cost of housing may mean a higher disposable income than in the south.

Another guide to the wealth archipelago is the map of the most financially active people in the country—those to whom one might sell unit trusts, for example, or those with building society and bank accounts. Pinpoint Analysis Ltd., which specialises in computer mapping, has fed in a large range of variables to indicate which of the 130,000 census enumeration districts in Great Britain contain the best prospects for sellers of financial services. The dots on the print-out cover most parts of the country, although they are thin in Wales and the west and all of Scotland, except the Glasgow-Edinburgh belt. The map is based on a close-up of the print-out for Merseyside. It speaks for itself.

Some of this wealth in surprising places has doubtless emerged as a result of policies that either deny that greater equality is a desirable objective or, more likely, actively promote inequality. The greatest inequality, which has shown the greatest growth, is caused by the increases in the numbers of unemployed, of pensioners, and of sub-groups of dependents like single-parent families. This is perhaps the principal reason why the bottom fifth of households had to get by on a smaller proportion of the total of all incomes in 1984 than they did in 1986. Their share, after taxes and state benefits, fell from 7.4 per cent to 7.1 per cent; the corresponding share of the top fifth rose from 37.9 per cent to 39 per cent in the same period.

But even for those in work inequality has increased under the Conservatives. The earnings after tax and national insurance of a married man with two children in the lowest tenth of earners grew by 2.9 per cent in real terms between April 1979 and April 1986. In the highest decile such a man would have enjoyed seven times the growth, or 21 per cent. Figures for other households and income groups fall into the same pattern.

There are other, persistent, inequalities. Only last week the Health Education Council, in a celebrated final report, indicated that the well-known inequalities of health and life expectancy have widened since the 1950s. Although the Government's statistical services have moved the spotlight away from class differences since 1979, it was true before then, and remains true now, that most life-chances increase as one moves up the social scale, whether the measure be income, housing, university entrance, future employment, longevity, or good health.

The HEC evidence suggests that in the area of health the widening of inequality has continued under Mrs Thatcher's administration. The counter-argument, that the number of people in the lower classes has diminished, thus diminishing the total quantity of class-based ill-health, is consonant with the general pattern: that of a widening sea of relatively comfortably-off people surrounding desert islands of the poor. It is also true that much of the HEC programme is in reality an anti-poverty programme, of the kind that Mrs Thatcher's ministers have turned away from. Neither contention absolves the Government of the charge that it has failed to pay sufficient regard to health education and preventive measures directed at the most vulnerable groups.

Another charge to which there is no decent answer from the Government is that it has failed to accept that Britain is now, irreversibly, a multi-racial country. The Asian-based communities are different in character from those of West Indian origin, but both are here to stay and both tend to be concentrated in districts that have been the source of public disorder in the past and doubtless will be again. The Government's protestation that it is simply colour-blind enables it to treat all manifestations of alienation as special pleading, or individual criminal behaviour.

Some 6 per cent of the population is now classified as non-white or "not stated"; about half that total was born in the UK. A British Prime Minister could give a lead towards equality of opportunity as decisive as that of President Eisenhower when he integrated the US Army. This need does seem to be understood in Buckingham Palace, but not in 10 Downing Street.

What does appear to be understood in No 10 is that the world-outlook of a great many people has been tugged rightwards. This has not only been achieved by "winning the argument" on a number of issues; it is also a consequence of social change. As Professor A. H. Halsey writes in the 1987 edition of Social Trends, since the mid-1970s "a pattern has emerged of a more unequal society as between a majority in secure attachment to a still prosperous country and a minority in marginal economic and social conditions."

The division in the mind that has been the outstanding characteristic of the Thatcher years reflects totally opposed attitudes to that pattern. A third term would be likely to bring the division into even sharper focus.

Tomorrow: Richard Lambert on business

Breadth without depth

IT IS TEMPTING to present the spreading of individual share ownership in semi-eschatological terms.

The ending of the historic divisions between capital and labour, the creation of a share-owning democracy and popular ownership of British industry have all become Conservative Party catchphrases as the Government's policy has crystallised over the last four years.

As Mr John Moore, Financial Secretary to the Treasury, said at the time of the British Telecom privatisation: "Our aim now is to build upon our property-owning democracy and to establish a people's capital market."

On one criterion, the proportion of the adult population which now owns shares, the reversal of a 30-year trend has been spectacular. The latest survey evidence suggests that the number of shareholders in the UK has risen from about 3m in 1979 to 8.5m, or just under 20 per cent of the adult (over-16) population.

The less encouraging news for the Government is that the proportion of shares in UK quoted companies held directly by individuals has continued to decline since 1979, that most of those shares are held by the old and rich and that the scope for shifting the political allegiance of shareholders to the right appears limited.

The Labour Party, however, is missing the mark when it claims that new shareholders have been motivated purely by the wish to make a fast buck.

According to Mr Carey Martin, of the public relations firm Dewe Rogerson, who has organised several shareholder surveys: "People realised they could make some money out of it. But they were also attracted by the idea of owning a bit of a company they liked, like British Telecom or the TSB. Most people do not want to sell because they know the money will just go back into the building societies and they want to do something more exciting with it."

The pragmatism of the public mirrors the earlier pragmatism of the Conservative Party. On the subject of promoting wider share ownership, the first Thatcher government from 1979 to 1983 said little and did less.

In the 1950s and 1960s, industrialists were generally suspicious of wider share ownership and support for the idea only became an important undercurrent in Conservative and Liberal thinking in the 1970s. Most members of the present Government did not espouse the cause until 1983 when it came to be seen as an adjunct to the privatisation programme.

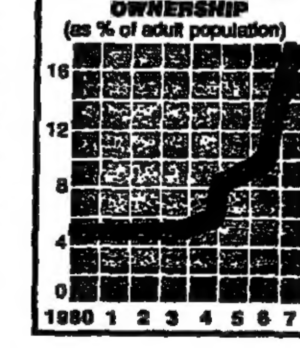
Since then, the privatisation programme has been used vigorously as a device for widening share ownership, but two other prominent obstacles to wider share ownership have barely been tackled.

Mr Nigel Lawson, the Chancellor, made a promising opening salvo against the tax privileges of institutional investment by removing life assurance premium relief in his 1984 Budget. But under pressure from the lobbyists the following year, he retreated from a plan to tackle pension schemes in the same way.

Likewise Mr Norman Fowler, the Health and Social Security Minister, was persuaded to dilute his proposals for personal pensions, which would have allowed employees to build up a share portfolio as part of their pension plans.

INDIVIDUAL SHARE OWNERSHIP

(as % of adult population)



That possibility is now likely to be unattractive to all but a few employees already in occupational schemes.

The reforms announced in this month's Budget, to allow employees to make additional voluntary contributions into a personal, supplementary pension plan, are not designed to promote wider share ownership. The Inland Revenue argued successfully that allowing investment into a pension-linked personal equity plan would be too difficult for it to monitor. It has insisted that all investment must be carried out through a financial institution.

The only steps the Chancellor has taken to remove some of the fiscal bias against direct share ownership has been the granting of tax reliefs for approved employee share option schemes and the introduction in January of personal equity plans (PEPs). However the tax benefits of PEPs are small and the rules governing them complex. In its first three months, only 100,000 to 150,000 people took out plans.

Employee share schemes have achieved greater success. About 7 per cent of employees own shares or share options in the company they work for, a figure which is spread fairly evenly across different age groups and social classes. Even among skilled and unskilled manual workers, the proportion is around 6 per cent.

The Government's privatisation issues have, however, cast a wide net across the population.

The first big success was British Telecom in December 1984 which attracted about 2.2m shareholders, of whom slightly more than half owned no other shares. After an initial wave of selling, most of the remaining shareholders have remained on the register. Even now BT still has about 1.7m shareholders. But the cost to the Government was high (over £3bn) according to the Institute for Fiscal Studies, mainly as a result of the underpricing of the issue but also because of the long and lavish advertising campaign.

Then in September the TSB (not officially defined as a privatisation) was also substantially under-priced and attracted 3m shareholders, of whom about 2.5m remain on the register. The much larger British Gas issue in early December, which was more fairly priced, attracted as many as 4.5m shareholders of whom an estimated 4m remain.

Privatisations still in the pipeline, however, may lack the popular consumer appeal of British Telecom or British Gas. The next big opportunity to reach untapped sections of the population might be the electricity industry or Post Office. Another possibility would arise if one of the large building societies, such as Abbey National with its 7m customers, decided to become a public company.

A third way was suggested in January by Mr Lawson. He proposed amendments to the Companies' Act and Stock Exchange rules to allow private sector companies to promote and sell their shares to individuals. It is doubtful, however, whether institutional shareholders would accept that a British Gas-style advertising campaign by a company was a sensible use of their money.

Over the next few years, there may be more scope for deepening rather than widening share ownership. The Treasury-Stock Exchange survey published earlier this month suggests that about a third of shareholders own stock in only one company, and another 15 per cent hold stock in only two companies.

If the new generation of shareholders is not alive to the case for holding a diversified portfolio, it is also reluctant to change its holdings. A Stock Exchange analysis last summer indicated that the proportion of transactions by value carried out for individual, rather than institutional, shareholders fell from 28 per cent in 1983 to 19 per cent. The slashing of charges for large institutional investors since the Stock Exchange's Big Bang reforms in October have boosted institutional trading by about 50 per cent and increased further their share of the total.

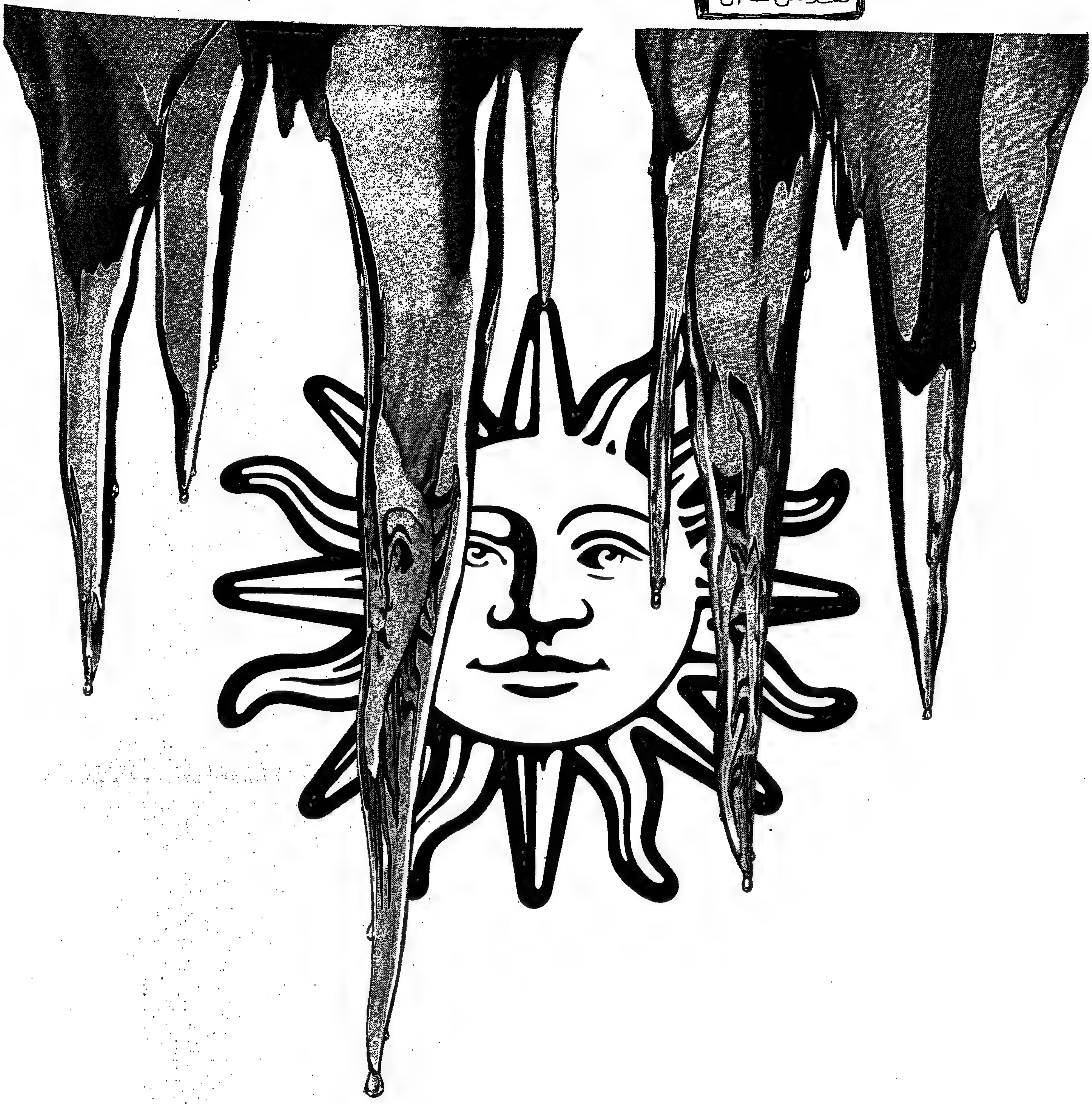
Individuals are mostly paying an unchanged rate of stockbroking commissions. A few broking firms started a dealing-only-no-frills-and-no-advice service in October at lower rates but were so overwhelmed by demand that they have raised their charges again. The introduction of an automated dealing service for small investors by the Stock Exchange next year should simplify the paperwork and bring charges down.

The proportion of UK quoted company shares held by individuals has continued to fall steadily, from 59 per cent in 1963 through 28 per cent in 1981 to an estimated 25 per cent last autumn.

The biggest success of the privatisation programme has been in extending share ownership to the large and electorally important socio-economic group, C2, which comprises skilled manual workers. About 16 per cent of this group are shareholders, mainly in privatised companies. Altogether about 40 per cent of the shareholders in privatised companies are in the lower socio-economic groups, C2, D and E, who make up only 26 per cent of the shareholders in other quoted companies.

When account is taken of the size of holdings in these other companies, a much less optimistic picture emerges from the Government's point of view. A telephone survey of 200 to 250 private shareholders in each of nine large quoted UK companies carried out recently by Dewe Rogerson suggested that about half the shareholders were over 65 and 63 per cent were from the professional and managerial A and B socio-economic groups.

Thus the shareholdings of the floating voters in the C2 group probably do not feature prominently enough in either their wealth or their consciousness to be an electorally important factor. But the abandonment of Labour's hostility to wider share ownership suggests that popular capitalism may become, if not a vote-winner then at least a vote-entrencher, particularly if a third Thatcher administration succeeds in deepening share ownership in the 1990s.



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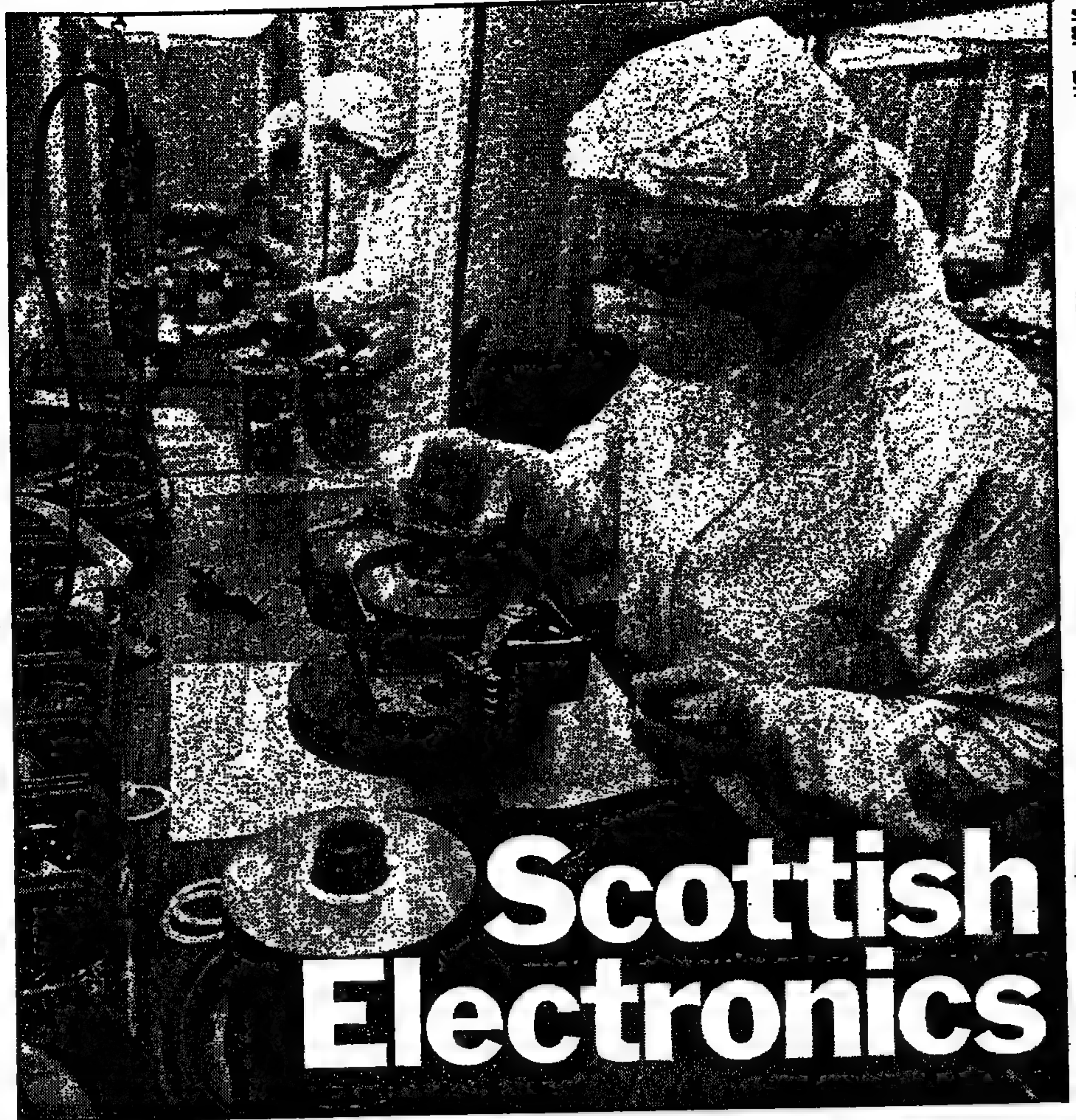


Disc drive production at Rodime's Glenrothes plant

International electronics companies have created many of the 45,000 jobs in Scottish plants but an indigenous industry has been slow to develop. A stronger enterprise culture capable of taking advantage of the opportunities available is still needed, **James Buxton**, Scottish correspondent, argues.

Spin-offs for entrepreneurs

IF ONE of the great 19th century barons of Scottish heavy industry were to return to Scotland today, he would be astonished to find that data processing equipment is now the country's largest single export. And he would be amazed to find that familiar smokestack factories were being replaced rapidly (but not painlessly) by clean, silent electronics plants, often set in fine unspoilt countryside.

The growth of the Scottish electronics industry has been one of the few big successes for the Scottish economy in recent years. Building on a base established during the Second World War by Ferranti and developed by early post-war arrivals such as NCR and IBM, Scotland has in the past few years gained many of the world's leading makers of data processing equipment and semi-conductors.

IBM manufactures its personal computer at Greenock and the ranks of computer manufacturers—which already include Digital, Wang, Unisys and Honeywell—are shortly to be increased by IBM's new rival, Compaq. This rapidly growing computer manufacturer is to set up a plant on a greenfield site at Erskine near Glasgow, after a campaign by the Scottish Development Agency against strong competition from West Germany and France.

Scotland can also claim to produce more semi-conductors per head of population than any other country in the world, thanks to the presence of Motorola, NEC, National Semi Conductor, General Instruments and Burr Brown.

Had it not been for the presence of nearly 350 electronics companies, Scotland's manufacturing output in 1985 would have been drastically below that of 1979. But because of a doubling in those years of the value of output in the electronics sector, Scotland's total manufacturing output just got back to its 1979 level by 1985.

It was however an increase achieved without a corresponding rise in employment. Although the issue of employment in the electronics industry is bedevilled by questions of definition, the Scottish office reckons that in 1985 the industry employed 43,800 people, which was only 4,500 more than the level achieved in 1978, and 900 lower than in 1984.

As the world electronics industry moves out of the 1985-86 recession and spare capacity is taken up, employment should rise slightly: Economic Development Briefing, a London consultancy, recently predicted that US companies would create 3,700 new jobs in Scotland by the end of 1989 both through expansion projects, some of which are under way and new arrivals. But anyone still looking to electronics to make up for the enormous job losses in other manufacturing industry will be disappointed.

What has happened over the past few years is that Scotland has succeeded in attracting a major share of those US and, to a lesser extent, Japanese companies which for reasons of convenience or protectionist pressures have decided to establish manufacturing operations in Europe.

The factors that induce a company to choose a particular location vary widely but preference for English-speaking countries tends to steer US and Japanese companies to Britain or Ireland.

Since all development areas provide grants, final location decisions are likely to be made on other grounds, and Scotland may well benefit from its strong educational and research tradition in electronics, and, to an increasing extent, from the fact that so many companies are here already, providing both an appropriate environment and visible reassurance that electronics companies flourish in Scotland.

Factors like these are emphasised by the Scottish Development Agency whose Locate in Scotland operation—run jointly with the Scottish Office—was considered by US electronics companies in the Economic Development Briefing survey to be the most professional of 25 European development authorities.

Anyone who visits the vast IBM complex at Greenock, where some £250m has been invested over the past seven years and there are no Americans at any level in the 2,800 strong workforce, is rapidly disabused of any idea that inward investment automatically means fly-by-night plants with fragile roots run by foreigners. Though IBM does not design products at Greenock, it does develop manufacturing processes there which are used in other plants in the group.

Yet despite the valid claims made for Silicon Glen—which can be defined as the electronics establishments or as the central belt of Scotland, an area 70 miles long and 40 miles deep—the Scottish electronics industry has not done all that was expected of it.

The aim, as expounded by Mr George Mathewson, chief executive of the SDA, was that the growing presence of multinational companies would create a powerful indigenous Scottish electronics industry which would supply the major companies with components, while little groups of managers would spin off from the big plants and set up their own operations.

In fact only 17 per cent (or £350m to £380m worth) of the major companies' main inputs are sourced in Scotland and the proportion drops to only 12 per cent when all inputs are included. More than half their inputs come from outside the UK. The Scottish-owned and managed sector of the industry represents just five per cent of the labour force, with other UK companies, including Ferranti (employing about 8,000 people) and Marconi, both mainly in defence electronics, accounting for a further 20-25 per cent.

There are several fairly small Scottish electronics companies, such as Office Workstations and Fortronic, but only one relatively big one, the successful Rodime whose sales are around the $100m mark.

Mr Bill Miller, managing director of Prestwick Circuits, a Scottish company which makes printed circuit boards, points out that the incoming companies usually come to Scotland to make products designed in the US. "Their managers are expected to perform and one way to do that is to keep their sources of supply in secure hands—the ones they know," he says.

The US multinationals do not develop products in co-operation with their suppliers in the way they would in Massachusetts or California, he claims. And he argues that as each multinational has very different technical requirements, it is not always economic for a company of Prestwick's size (about £20m turnover this year to gear up to meet the demands of a wide range of customers.

However Mr Bob Beaty, the assistant plant manager for IBM at Greenock, believes that Scottish and other UK companies should have the courage to invest in new production lines and raise their standards to meet IBM's exacting requirements. The company's policy, he says, is to buy inputs from Scotland first, then from the rest of the UK, then from the EEC, and finally from the US.

It does in fact get from Scotland just over half of the almost 50 per cent of its inputs that come from the UK, but these include fairly mundane items such as packaging and instruction manuals.

Mr Alastair Macpherson, head of the SDA's electronics division, says that "the potential for internally generated growth (in the Scottish electronics industry) is an area of concern." He puts some of the blame on cultural attitudes that discourage entrepreneurship among the "graduate strata of the population."

He points out that although some of the incoming companies do a fair amount of research and development in Scotland, very few of them carry out marketing from their Scottish plants. This means that there are not many executives in the multinationals who know the full range of the business, so that they are in a poor position to set up spin-off operations outside the company.

Significantly Hewlett-Packard, which designs and manufactures telecommunications testing equipment at South Queensferry near Edinburgh, does do its own marketing and has spawned some spin-off operations.

The managing director, Mr Finlay Mackenzie, a Scot born in the Outer Hebrides, believes in the "critical mass" theory. "People do leave here to set up on their own, but perhaps not enough," he says. But, he adds, "a virtuous circle is beginning with companies like us."

Mr Jim Martin, of Investors in Industry's Edinburgh office, says he knows of several situations where managers in a company could buy out certain operations, currently given only medium priority, with the approval of their parent organisations. He calls it the sponsored spin-off concept.

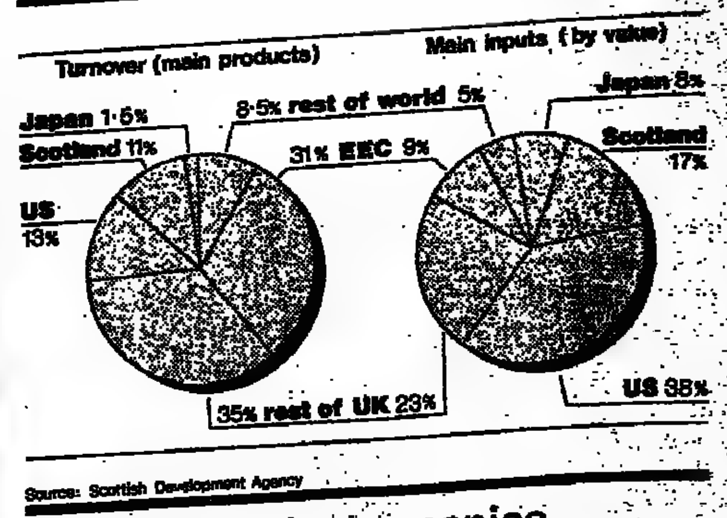
Investors in Industry is setting up a £50m fund to finance management buyouts in Scotland and is to hold confidential briefing sessions for managers considering doing so. He believes that the answer to the problems of the electronics industry lies in promoting an enterprise culture more vigorously in Scotland.

Electronics turnover

Manufacturing Companies % share by head office location

USA	72
Rest of UK	15
Scotland	5
EEC	5
Japan	3
	100

Electronics market



Source: Scottish Development Agency

Scottish companies

Small fry need more support

SILICON GLEN, says Mr Bill Miller, managing director of Prestwick Circuits, is not like Route 128, the highway near Boston along which are clustered dozens of small to medium sized electronics components makers and software companies who collaborate very closely with the major manufacturers and assemblers.

In Scotland, he says, there is often a wide gulf between the major companies and smaller fry. "You can see why more managers don't get out and do their own thing—they don't get support from their (potential) customers." And he argues co-operation between major manufacturers and their suppliers is probably better in the south of England, where, he says, there are more indigenous electronics companies such as GEC which are more disposed to help their smaller compatriots.

Nevertheless there is an important substratum of Scottish-owned companies and a number of them, some of which are looked at in this article, are reasonably successful suppliers to the big manufacturers.

Altogether the Scottish Development Agency reckons that 41 per cent of all manufacturing companies in the electronics sector are Scottish-owned but their employment amounted to only about 3,000 out of total Silicon Glen employment of about 44,000. Out of about 40 companies 32 employ up to only 100 people, and 27 of these have fewer than 50.

The example which the SDA would like to see emulated more often is Rodime. Rodime was formed in 1980 by three Scots and one American who broke away from Burroughs to develop and market their own designs of rotating disc memories for use in personal computers.

The company began with venture capital financing and when it first went public chose the US over the counter market though it is now also quoted on the British Stock Exchange. Each year, mainly from its research base at Glenrothes in Fife, it has brought out new rotating disc memories that differ in capacity but have consistently become smaller in size.

They are incorporated in the products of Apple (which takes 25-30 per cent of its sales), Apricot, Olivetti, ICL, Philips and others, but the list does not include IBM.

Rodime employs 600 people at Glenrothes. Since 1984 it has also had a factory at Boca Raton in Florida (employing 200) and is now gearing up a plant in Singapore—a necessary development, the company believes, if it is to compete with products coming out of low wage cost plants in the Far East. The Singapore plant will manufacture components for the Glenrothes facility to assemble.

Rodime achieved powerful rates of growth until last year. Between 1982 and 1985 its sales, measured in sterling, went up from £4m to £75.8m. But in the year to September 1986 growth in dollar terms was only marginal (rising from $95.6m to $97.6m) but as a result of exchange rate changes it fell in sterling terms from £75.9m to £66.3m even though volume was up 26 per cent. The final result was a loss of £2.74m.

Rodime said at the time that its longer-established products were suffering from tough competition and tight margins at the commodity end of the market.

But Mr Bill Batchelor, the Scottish finance director, says that the recovery will be based on new products in the volume market place. "We've usually been a little bit ahead of our competitors and we've got a reputation for understanding the business," he says confidently.

Scotland is Rodime's location more than anything because that is where its executives like to live. It takes less than 10 per cent of its inputs from Scottish component suppliers and only 30 per cent from the whole of Britain. It has only one Scottish customer, Apricot, also based in Glenrothes. Nevertheless it appears wedded to Scotland.

Mr Derrick Bumpstead, managing director of Exacta, which manufactures printed circuit boards (PCBs) at Selkirk in the Borders, does not consider his company to be part of Silicon Glen (though the definition of the glen is loose enough to include it), yet more than a third of its customers are in Scotland.

An Englishman, he was sent to run Exacta by STC but almost immediately became involved in what turned out to be a successful management buyout of the company from its parent. Since April 1986 Exacta has been a free-standing company owned by its management and institutional investors in London and Scotland.

Exacta considers itself to be in the high-tech end of printed circuit board manufacturing, making multi-layer boards to the designs of its customers, usually the multinationals. In the first eight and a half months of its separate existence—up to the end of 1986—Exacta had sales of £12.6m and a net profit of £614,000. The turnover on an annualised basis is put at about £17.5m and this year Exacta is hoping to go up to £20m.

It also expects an improvement in profitability. At present it sells 36 per cent of its output in Scotland (to IBM, Hewlett-Packard, DEC, Wang and others), 17 per cent to the rest of the UK and 47 per cent to the EEC.

Exacta is introducing just-in-time methods of production and delivery. This means working very closely with customers to meet their supply requirements in precise quantities exactly when they are needed, thus eliminating wasteful inventories. Other Scottish manufacturers are doing the same thing and the SDA is making a major effort to persuade companies to adopt just-in-time methods.

Both the SDA and component manufacturers are intensely aware that as the use of JIT becomes more widespread the number of suppliers each major company will use is likely to be reduced. So it is extremely anxious that the introduction of just-in-time methods should be successful.

"The jargon in the industry is 'Just in Time'," Mr Miller of Prestwick Circuits comments, "but only a few companies understand what it means. We are trying to implement it, but you can't do it overnight."

Prestwick is now recovering from the effects of the recession which caused it to lose £2.28m in the year to July 31 1986 on sales that were sharply down, from £18.85m in 1984-85 to £14.84m. But the company now says it is trading at an annual level of about £20m.

James Buxton

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Semiconductors

More investment in the pipeline

ANY DAY of the week, large consignments of lightweight packages are shipped into and out of a string of plants across Scotland's central lowlands. They may be going virtually anywhere in the world, and they may have come from equally far-flung places.

The bits and pieces inside may, indeed, have left one of the plants involved in one shape a few weeks before and come back in another. For this is the semiconductor industry, the most global business mankind has ever known, and one in which international economies of scale are virtually a condition of existence.

The cross-flow of components which is an intrinsic part of semiconductor production points both to the strength and the weakness of the Scottish industry. On the one hand, Scottish production has become a virtually indispensable resource for the big multinationals which dominate this business, a vital link in the chain of manufacturing.

On the other hand, the Scottish plants remain only an adjunct of larger organisations, with little or no control over the most crucial decision-making processes of the companies to which they belong.

None of the large-scale producers in Scotland is an indigenous manufacturer with a role in the region, and hardly any of them are willing to furnish details of their financial situation in terms of sales or profitability.

A little over a year ago, the fragility of this satellite structure was illustrated at General Instrument Microelectronics, a Scottish manufacturing subsidiary of the US General Instrument group, which announced that it was axing its plant at Glenrothes in Fyfe with the loss of 120 jobs.

Hit by a string of poor results, GI decided to pull out of Scotland as part of a general restructuring move outside its home base in the US—evidence that when the chips are down the headquarters of a multinational tend to count far more than the outlying subsidiaries.

Despite this inherent weakness in the Scottish semiconductor industry, however, the area has shown a steady ability to attract new outside investment in this sector for the best part of 20 years. As a consequence it is well advanced in the process of building up the infrastructure of skills and services that are bound to influence future development decisions.

Even satellite semiconductor plants need a strong base of engineering design skills, and producers in Scotland have found that the local universities produce high quality engineers of the type they need. "We used to have a milk round of the English universities, but we no longer do that," says Mr Llew Aviss, personnel director at National Semiconductor in Greenock. "The Scottish universities have always had a strong engineering tradition, and that appears to have been transferred to modern technology."

This supply of qualifed personnel may become more important in the years ahead because of the trend towards semi-custom chips, or ASIC (Application Specific Integrated Circuits). By 1990, some forecasts suggest that ASICs will account for about a quarter of the UK and European markets because of their ability to give users a tailor-made design at relatively cheap prices—the chips are made to a largely standard format which is then customised to individual needs.

ASICs do, however, demand additional design skills, often provided by the semiconductor manufacturers in special units which customers can use to put together the chip design they want.

Scotland has also developed a substantial back-up service structure which means that producers can find virtually anything they want on their own doorstep. With the arrival two years ago of a Japanese silicon manufacturing group, SEH Europe, a subsidiary of Shin-Etsu, the region is now on the point of embracing the whole semiconductor manufacturing cycle locally, from the production of the silicon crystals, to wafer fabrication and assembly and testing of the products.

At present, SEH is working out of a two-year-old pilot plant and is only slicing and polishing imported silicon, but it is planning a £35m expansion over the next two years that will turn it into a fully integrated silicon producer and expand its workforce from around 75 to 350.

Other elements in the infrastructure are a variety of companies supplying the chemicals, solvents and gases that go into the production process, and groups which sell manufacturing equipment. Tegal, for example, the Motorola subsidiary, has a plasma etching business in Livingston, which supplies and services machinery imported from the US. MTL Microtesting has a similar facility for test and burning equipment.

High-speed Teradyne board tester, part of Honeywell's computer manufacturing division at Newhouse, Strathclyde

In total, the semiconductor sector is reckoned to employ about 5,000 people directly in the region, with a further 5,000 in companies which provide equipment and support services. Over the last two years, these numbers have been under pressure from the world-wide slump in the semiconductor industry.

Even though demand has held up relatively better in Europe than in the US and Japan, manufacturers are so integrated on a world scale that Scottish production is by no means sheltered. As a consequence there have been layoffs and some investment delays.

Nevertheless, the next few years are likely to see healthy expansion, due both to the continuing growth of the market and the desire of semiconductor manufacturers to be close to their markets.

The Japanese, in particular, are now moving into Europe in greater numbers, and as they expand are likely to seek more and more local production as a means of avoiding tariff barriers and reducing protectionist pressures.

Evidence of the changing perceptions of the Japanese has come recently with the decision by NEC, which last year leapfrogged into the position of the world's leading semiconductor manufacturer, to press ahead with an £80m fabrication unit at its Livingston site.

The company already assembles chips from Japanese-made parts at Livingston; but the new investment will enable NEC to go through the whole chip manufacturing process for its 256K chip, and later in the year it will be adding on one megabit semiconductor production as well.

Further output increases are in the pipeline from a number of investments by American companies, although the degree of final sales growth will depend crucially on the next upswing in the market.

One new company, Integrated Power Semiconductors, established by American entrepreneurs three years ago, is in the process of investing £35m to produce power control integrated circuits.

A further wholly new chunk of expenditure is coming from Digital Equipment Corporation, the US computer group, which is putting £85m into a chip plant which is now due to open in 1989; and Burr-Brown, the US manufacturer of monolithic circuits for military uses, has grown steadily since its establishment in Livingston in 1982.

The older-established US companies are also expanding. Motorola, for example, is coming towards the end of a £100m investment at its East Kilbride plant which will eventually add around 250 jobs to its workforce of 1,800. Hughes Microelectronics, a subsidiary of the Hughes Aircraft company, is also spending £25m in Glenrothes in an expansion that should create around 500 jobs and bring its workforce to 1,160 by 1990.

In addition, National Semiconductor is pushing forward with a delayed £100m spending programme first launched in 1984 just before th slump in semiconductor demand.

The Scottish Development Agency, whose grants and assistance are largely responsible for the growth of the semiconductor industry in the region, believes that the industry has now developed sufficient size to continue as a self-perpetuating force in the region.

Many of the manufacturers agree, although there are some grumbles about local facilities—Mr Barry Waite, vice president at Motorola in East Kilbride, for example, says that rates are now so high that they are a distinct disincentive for any newcomer, virtually cancelling out the aid available from the SDA.

What is probably most encouraging for the future is that there is now a broad spread of skills, services and products in the region. The Scottish-based manufacturers produce the full gamut of products from microprocessors to one megabit memories.

It has therefore built itself a buffer against cyclical variations which should serve it in good stead in years to come.

Terry Dodsworth

Data processing

Plea for local components

"THOSE WERE the decisive factors 30 years ago when we went to Greenock. We found an engineering skills base, in the wake of the decline in shipbuilding, and the right mix of quality suppliers. Over the years we made investments that cumulatively amount to £280m. And we haven't regretted it."

This glowing endorsement of the experience of making computers in Scotland did not come from any old data processing company. It was made by IBM, the world's largest.

Mr Kaspar Cassini, head of IBM throughout Europe, gave this account of the company's Greenock plant to the massed ranks of the American Chamber of Commerce at the London Hilton earlier this month.

IBM's Greenock plant has steadily expanded and now employs 2,800 people. It is the company's European centre for the manufacture of personal computers and also makes display terminals for IBM systems. About 85 per cent of its output is exported.

IBM is not alone among American computer and information technology companies in choosing Scotland for a major plant. Digital Equipment, Unisys, NCR, Hewlett Packard, Honeywell and Wang are among the groups which have also set down manufacturing roots there.

But the best news for Scotland on the computer front in the past year concerned a relative newcomer to the ranks of American computer heavyweights—Compaq Computer, the Houston-based company founded only in 1982.

Compaq chose Erskine, near Glasgow for its manufacturing base which could be employing 350 people by 1990. Highly professional wooing by the Scottish Development Agency—it had targeted Compaq as little as a year after the company's foundation—helped tip the balance in Scotland's favour. So did the market logic of being in the UK, Compaq's best prospect in Europe at the moment.

Compaq's decision signified more than yet one more inward investment victory for Scotland, important though that was for an area of continuing high unemployment. It signalled confidence in Scotland by one of the success stories in what is arguably the most cut-throat battle in computing at present: the personal computer war.

Compaq has been in the thick of the struggle involving IBM and the often young computer companies which have launched PCs compatible with the IBM standard. Compaq has done well out of this mass so-called "clone" war: it has been one of the world's fastest growing computer companies ever since it was founded.

Moreover, unlike many other of the combatants, Compaq has been prepared to innovate ahead of the rest of the pack, including IBM.

Compaq's move helped offset the fallout on Scotland from one of the major computer industry developments of last year, the merger of Sperry and Burroughs to form the new computer giant Unisys. Unisys immediately set in train a worldwide review of its new empire: one of the consequences was the closure of its computer factory at Cumbernauld, which made small minicomputers with the loss of 360 jobs. Unisys has another facility at Livingston.

However, the more common experience among American computer companies in Scotland has been of steady growth. For instance, Digital Equipment Corporation, the third largest computer manufacturer in the world, is expanding its Ayr plant, which now employs about 1,000 people making low end machines in DEC's minicomputer range, at the rate of about 90 jobs a quarter.

The Scottish Development Agency reckons the data processing industry has now reached critical mass, where growth will be self—sustaining.

One complaint, perennially directed against all forms of inward investment, is that not enough components are sourced locally. The foreign companies in the main take this charge seriously.

Some claim to source a lot of components locally already—by which, they may mean from the rest of the UK or even Europe.

Others echo the sentiments of Mr Finlay MacKenzie, general manager of Hewlett Packard's telecommunications division at Queensferry, who talks of "a wind of change" sweeping through company policy which has led to more sub-contracting.

"We were vertically integrated until a few years ago, but now the things we don't add much value to, we expect to do outside," he explains.

Perhaps a more telling charge is that many of the inward investors do little research and development in Scotland.

A few operations, like Hewlett Packard's Scottish telecommunications plant, which makes equipment to test telecom systems, are the world centres for a particular product in the parent's portfolio. In such cases, design and research and development tend to be carried out in Scotland, along with manufacturing.

However, these are the exceptions.

"The Scottish electronics scene is very hardware-dominated and is comparatively weak in advanced software," says Mr Jim Howe, who heads the artificial intelligence department at Edinburgh University, widely recognised as a European leader in artificial intelligence, which is at the forefront of research in the computer industry.

His department has set up an institute which works with companies to help translate artificial intelligence research into industrial applications. But most of the take-up has been from companies based south of the border or in Continental Europe.

Of the big foreign-owned computer companies with plants in Scotland, Professor Howe says: "We've had very little contact with these companies so far."

This is to say that software in Scotland is relatively isolated from the hardware side of the business—not that Scotland lacks a software industry.

On the contrary, a recent survey by the Scottish Development Agency revealed about 250 software companies employing about 7,500 workers. In the central belt between Glasgow and Edinburgh, there is a software valley to add to the silicon glen.

These figures surprised even some software professionals in Scotland. The Scottish Software House Federation has now been set up to help increase the visibility of the industry.

Its chairman, Dr Peter Palmer, who runs Spider Systems, a software house specialising in networking, argues that government aid projects, such as the Alvey programme, have tended to miss out the smaller software houses.

This is a complaint also heard from the rest of the UK industry, but Dr Palmer says it applies particularly acutely to Scotland.

If the Scottish software industry manages to develop further, then Scotland will soon be able to boast a fully integrated electronics industry—through components, to hardware and software.

David Thomas

Tailor-made formula for UK electronics efficiency

Peter Marsh looks at how smaller companies could make better use of custom chips

SMALL and medium-sized companies in the electronics industry can reduce costs and increase the reliability of their products through the use of custom microchips. The circuits, also known as application-specific devices, can be turned out quickly using advanced chip design and manufacturing techniques, and are making rapid inroads into the world's $21.5bn market for integrated circuits.

These conclusions come from a UK Department of Trade and Industry report into the use in Britain of custom microchips. Yet to be published, the study by Michael Shortland Associates, Guildford-based consultants, says that Britain has a lead in Europe in applications of the circuits. It warns, however, that this advantage could slip unless the Government boosts awareness of custom chip techniques within British industry.

According to the report, about 4,000 small- to medium-sized companies operate in the UK electronics business. Of these roughly three-quarters employ fewer than 100 people.

"We are convinced that custom integrated-circuit technology could have a significant influence on the profitability and competitiveness of the vast majority of these smaller companies," says Michael Shortland Associates.

"Customers of these companies will also benefit through enjoying products purchased at lower prices (and) featuring better quality."

Custom chips account for about one-eighth of the total world market for integrated circuits, and the proportion is increasing rapidly. Unlike conventional, or standard, microchips such as microprocessors or memories, custom products are built to suit the needs of a specific user.

In the past, due to the difficulty of designing a new circuit and then producing the device in silicon, the prices of such chips were prohibitively high for most companies. Also, lead times were too long. As a result, custom chips have traditionally been suitable only for specialist and high-value applications, such as in military equipment.

In recent years, however, a new generation of software techniques has enabled engineers to design chips using desk-top scientific work stations, made by companies such as Sun and Apollo, or personal computers, from manufacturers like IBM and Olivetti.

The designs are converted to products using chip manufacturing equipment, such as electron-beam lithography systems.

According to the report, use of custom chips, compared with applications based on standard components can cut manufacturing costs substantially. For example, one electronics company told the consultants that by using custom technology it had reduced the electronic innards of a product from four printed-circuit boards to one—in the process cutting the production cost from £500 to £180.

The consultants say that the reduction in size of products, for instance, by using one custom chip instead of several standard devices, can prove beneficial. "Completely new concepts of miniaturised products have been made possible by the use of custom integrated circuits—hand-held transceivers, telephone bleepers, musical instruments and security devices are just some examples of such products."

Better performance is also important. One company reported that with custom techniques it increased the speed of a logic circuit tenfold compared to the comparable standard type of device.

In the UK, custom-chip design and production services are offered by several dozen companies, many of them subsidiaries of big overseas-based electronics groups, including Texas Instruments, VLSI Technology, Thomson, Fujitsu, NCR, Hitachi and National Semiconductor.

UK-owned companies which offer such services include Plessey, Ferranti, Racal, Newmarket Microsystems, Qudos and Wolfson Microelectronics.

Small firms designing their own chips can either rent software from the supplier and use their own computer systems or produce the designs at the premises of the service provider. In all cases, the customers require a "silicon foundry," perhaps at the site of a major electronics producer, which is where the designs are transferred to semiconductor material.

A key element to the custom chip industry is that circuits can be turned out quickly and in small batches. That gives a small company the chance to try out a small number of chips, perhaps in a prototype of a new product—a new office machine or a radio receiver for example. As a result, use of custom circuits may help a company to bring products on to the market more quickly, and ahead of the competition.

It can take as little as a few days to complete a custom design using the most modern software methods. And to obtain a prototype chip using custom methods may take only six to eight weeks.

Costs include a one-off service charge, which can be anything from nothing to several tens of thousands of pounds, depending on the type and complexity of the chip. On top of this are extra charges for each circuit that is produced. The cost per chip is normally between £5 and £15.

World Market for Integrated Circuits

	Total $m	Standard $m	Custom $m
US	8,429	6,490	1,095
Japan	9,852	7,586	866
West Germany	1,162	848	142
UK	988	769	148
France	694	526	81
Italy	396	390	42
Total	21,446	16,519	2,374

Source: Dataquest, Mackintosh, Butler Cox

FOUR-PRONGED ATTACK BRINGS PRODUCT IMPROVEMENTS

DESIGN and production of custom chips involves four main techniques. In the most popular of these, a designer builds up blocks of circuitry, using computer-aided design techniques, on a simple form of chip called a gate-array.

Once the design has been completed and simulated in the computer, to ensure it works correctly, it is converted to a mask, a sheet of material with lines etched in it to mark the positions of circuits. This is then used in the processing stage.

The three other types of custom chips include: standard cell techniques, in which the engineer produces a circuit design using a library of standard groups of circuits; programmable logic arrays, which use chips based on links between different circuits that can be fused to provide different functions; and full-custom devices, which involve a more laborious development of circuits that can be fused to silicon. Costs are relatively high and this type of circuit is normally used only in products turned out in low volumes.

Why a big production needs to be made of British expertise

FILM AND VIDEO

by John Chittock

LAST NIGHT the eyes of the world's media were on Hollywood where this year's Oscars were awarded. There were, however, few nominations for British creative achievements that would justify Colin Welland's famous cry—when collecting an Oscar for Chariots of Fire—"The British are coming." Despite the current euphoria about rising cinema attendances in the UK, the industry would seem to have little else to celebrate—with film production in the doldrums and the major studios almost empty.

But there is good news on the technical front. With great consistency, Britain collects numerous craft and technical awards at the Hollywood ceremony—and this year's nominations include mentions for camerawork, visual effects, sound-effects and make-up. Three technical achievement awards for Britain were announced ahead of the Oscars some weeks ago. They were for a cinematographer's computer program (David Samuelson and W. B. Pollard), flicker free discharge lamps (Lee Electric) and an aerial image optical system (Oxford Scientific Films).

In the craft and technology areas of film production, Britain, together with the US, remains one of the world's leaders. Indeed, unusually in these days of Japanese domination, one UK company—Rank Cintel—claims between 60 to 70 per cent of the world market for one particular piece of film industry equipment, the telecine machine.

Rank Cintel's business has been fuelled by the video boom, which has required tens of thousands of films to be transferred to videotape via telecine equipment. Where once a telecine machine was little more than a film projector with a television camera pointing into the lens, it is now a sophisticated piece of high-technology equipment. During the film-to-tape transfer it is able to make colour and framing adjustments, eliminate the visibility of scratches on the film, and even stretch or compress the running time by as much as 25 per cent without changing the speed of subject movement. The sound track can be similarly processed without changing the pitch of sound. These are crucial facilities for a video distributor who wants to put a 100 minute feature film on to a 90 minute cassette.

Rank Cintel's only rivals in this field are Bosch of Germany, and Marconi of the UK. Rank estimates that world demand for telecine equipment is between 80 to 100 units a year, with machines costing up to £250,000 each.

Rank Cintel is part of the diversified Rank Organisation—but even so it is adding other product lines to lessen dependence on telecine technology, which currently accounts for two-thirds of its business. Apart from related television equipment—such as Slidefile, which provides television news rooms with electronic storage and instant access to still pictures—Cintel is now moving into microform document storage systems based on video retrieval techniques.

Concern about limited opportunities in the feature film business has also forced another major British name in the industry—the Samuelson Group—to extend its traditional business boundaries. In the 1960s and 1970s, Samuelson dominated the business of servicing feature film production around the world—providing rental cameras, lighting equipment and an extraordinary range of innovative systems to make the technician's job easier or the end result better.

However, with the erratic state of the industry, and fierce competition from another British group—the fast-moving Lee International—Samuelson has spread into other, new and expanding areas of the media business. It has subsidiary companies servicing anything from teleconferencing to corporate video, concert production facilities to television technical consultancy.

The anxieties which currently plague the technical and craft side of Britain's film business are expressed poignantly by Sydney Samuelson, group chairman. He tells of one highly experienced freelance camera operator who last week had one day's shooting for a TV commercial—only his fourth day of work this year.

The pressure to diversify in a business based excessively on equipment rental is evident in the Samuelson range of camera lenses needed to satisfy choosey customers—for 35 mm. film cameras alone, the company currently carries 227 different types in 54 focal lengths, plus a further 27 types of zoom lens.

The facilities of Lee International are focused more on the traditional moving picture business. But the financial health of the company owes much to television work, especially for the BBC. Lee's acquisition of one of Britain's flagship film studios, at Shepperton, has shown faith in the future of film production in the UK—with some justification, because studios such as Pinewood, Elstree and Shepperton have regularly attracted major productions from abroad. All but one of the James Bond series of films were shot at Pinewood and other box office successes such as Superman and Raiders of the Lost Ark used British studios.

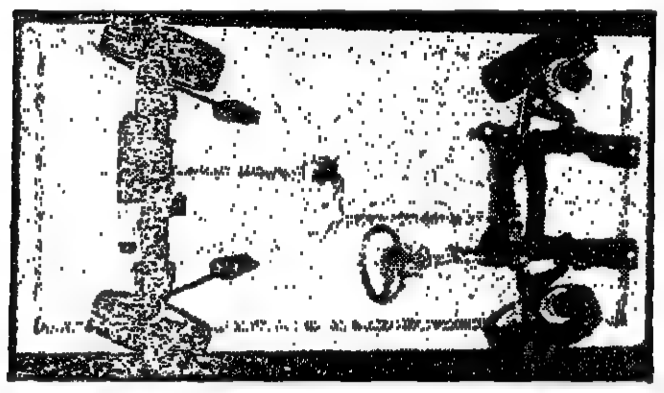
Currently, however, Shepperton has only one feature production being filmed in its studios—plus four commercials and a TV short to spread between ten stages that demand rentals from £1,000 to over £7,000 per week. The story is much the same at most other British studios, although Elstree is faring somewhat better.

For the nation that pioneered photography and television, and was deeply involved in the development of cinematography, this lack of films in production presents a dilemma. Britain no longer manufactures movie and TV cameras and, a handful of companies excepted, its reputation in the industry is now based almost exclusively on services—technical, creative or administrative.

With an upsurge in the use of moving picture distribution systems ready to suck every available foot of film into its vortex, that may not be a bad thing. But with the indigenous production industry in a depressed state, the service sector may find that it has no home market to use as an international springboard.

Star turn in Mazda's line-up

BY JOHN GRIFFITHS



Mazda four-wheel steering: At low speeds the wheels turn in opposite directions, giving a reduced turning circle and making it easier to park in tight spaces

JAPANESE car producer Mazda is to make a four-wheel steering system available before the middle of this year. It will be offered on selected models in a new range of medium-sized cars.

The electronically-controlled system turns the rear wheels in the same direction as the front ones at speeds over 22 mph. At lower speeds the rear wheels turn in the opposite direction.

Mazda claims that, at higher speeds, steering response is faster and more accurate, with improved straight-line stability. At low speeds, a reduced turning circle is said to make it easier for the driver to park.

It is also claimed to be fail-safe, in that if a malfunction develops, the rear steering rack will automatically lock in the straight-ahead position.

The cars are to be introduced first on the Japanese domestic market. They are not expected to be launched in the UK until the end of this year at the earliest.

Mazda has yet to provide any indication of the likely price premium for the system.

Honda is also to demonstrate a four-wheel steering system next week, at its 360-acre former airfield site at Swindon, in the UK. This currently houses a test track and preparation centre for the Legend and Ballade models produced for the Japanese company by Austin Rover.

Prof Ulrich Seiffert, head of research at Volkswagen, last week criticised four-wheel steering as offering no real benefit for the costs involved. Audi had developed, and discarded, such a system 10 years ago, he said.

مكتب الأرشيف

MANAGEMENT Small Business

THREE Newcastle upon Tyne teenagers, Jane Cuthbertson, Lorie Hay and Marianne Shevills, at first wanted to set up a small company designing and making clothes. In the end they decided that because of their other commitments it made more sense to stick to clothing repairs and alterations.

In the seven months it has been going, Cheap Stitch, the name they chose for their venture, has prospered. By undercutting the competition and providing a fast and efficient service the three girls have built up a loyal clientele.

There are limits to growth, however. The work has to be fitted in between homework in the evenings, the promotional effort is limited to cyclostyled sheets on the school notice boards and at the end of the summer term they will probably have to wind up the company.

Despite these constraints, the three six-formers are enthusiastic about the experience of running their own business and 17-year-old Lorie wants to set up a dress-making company for real when she leaves school.

"I couldn't work for anyone else," she says. "I would feel I wasn't getting the full value for my work and that I wasn't being appreciated."

The three girls and five other groups of pupils at Rutherford Comprehensive in the West End of Newcastle are part of a nationwide attempt to inject enterprise into the school curriculum and create more self-reliant young adults.

In fact, so eagerly have government, educationalists and industry taken to the idea of enterprise that the schemes are proliferating at a bewildering rate. From being regarded as something hostile to the purity of the educational ideal, business has in the past few years come to be seen as an important part of the education process.

The ideas which have been developed in Britain are attracting increasing attention abroad from countries as diverse as Canada, South Africa, Italy, West Germany and Nigeria.

"In terms of developing enterprise learning systematically across the school curriculum, Britain is probably in the lead," claims Allan Gibb, director of Durham University Business School's small business centre.

Not that small business is synonymous with enterprise. It is just one element in a programme which also includes community projects and adventure training. But it is, in the view of many of those involved, the area which has most relevance to teenagers faced with a difficult jobs market and the need to earn a living.

"We use the experience of running a small business as a vehicle to develop social and life skills," says Cliff Johnson, who heads a programme for training teachers to run enterprise programmes at Durham University Business School.

In business at school

A lesson in enterprise

By Charles Batchelor

Partners in business: Lorie May, teacher Kathy Henderson, Jane Cuthbertson and Marianne Shevills

"It has to be like that otherwise the teachers would not wear it. But in addition it gives the pupils, and the teachers, a degree of economic literacy. In some kids we might fire the imagination to start their own business when they are in their 30s or 40s. But we don't aim to produce mini-capitalists."

"The idea is to educate through enterprise and not for enterprise," notes Peter Howey, a teacher at Hetton School, near Sunderland. "The end product is to be enterprising, not to set up in business at 16. If they want to be self-employed that is a bonus."

At Hetton School the enterprise programme has helped create three pupil-run businesses, growing plants, making cakes and Easter eggs and designing posters.

Kara Blake and 14 other fourth-years set up Planto to grow potted plants for sale or hire. The company has recently diversified into a delivery service supplying carnations and a hand-written message for occasions such as Valentine's Day and Mother's Day.

Kara estimates that the company has made a profit of about £40 but says the main benefit has been the boost to her confidence. "It brings you out," she says. "Before you wouldn't have dared speak."

Durham University Business School has been one of the most enthusiastic in its development of enterprise programmes. Gibb is a firm supporter of an idea he believes can reduce the high level of unemployment in the north-east and counter the region's dependence on factories controlled from faraway boardrooms.

With the backing of BSC Industries, which was keen to create jobs in areas where steel plants had shut down, and of National Westminster Bank, the business school devised enterprise programmes for schools; last year it went on to develop courses to train teachers for enterprise learning.

The training courses involved 64 teachers from 50 north-east schools last year but with the help of a £100,000 grant from NatWest it is to be extended to the 400 schools in the region over the next two years.

The whole enterprise programme is based on teaching by experience rather than theory. The teachers attend a six-day course, spread over three sessions and several months, to discuss what they understand by enterprise, talk to schoolchildren who have taken part in the programme and then go on to devise a project of their own.

They take their ideas back to their schools and pass on to their own pupils what they have learned about setting up a small company or a community project. The last two sessions of the training course for teachers are spent evaluating progress.

The Durham teacher-training programme is also backed by the Manpower Services Commission and the Department of Trade and Industry and forms part of the MSC's nationwide programme, the Technical and Vocational Education Initiative. TVEI is intended to make learning a more active, practical experience. Pilot projects have been carried out in 95 areas over the past four years but it is due to be extended across the country over the next few years.

But the idea of using the world of business to broaden pupils' experience has been around for much longer than the Durham programme.

Young Enterprise, a privately funded educational charity with additional government backing, has been helping school children run their own businesses for nearly a quarter of a century. This year it has about 21,000 15- to 19-year-olds running more than 1,100 companies.

"Teachers are concerned with the development of personal rather than vocational skills," says Derek Jackson, director general of Young Enterprise. "Teachers can ignore the basic points about the creation of profit and wealth. We want to combine the curricular skills of the teacher with the practical skills of the businessman."

There is no doubt that this approach produces some very successful pupil - managed businesses.

UPEX, a company set up by 30 pupils from Duston Upper School in Northampton to make desk and wall clocks, sold more than 700 and made a gross profit of £1,156 in the seven months in which it traded in 1985-86.

The company raised an initial capital of nearly £99 by selling 395 25p shares to pupils and friends. This paid for supplies of stainless steel, quartz movements and clock hands. UPEX carried out the cutting, shaping and engraving of the clock faces at a nearby factory of the Express Lift Company, a GEC subsidiary.

Before going into voluntary liquidation the directors and workforce of UPEX grappled successfully with problems of researching the market, promoting their products and overcoming substandard deliveries from a subcontractor and the bankruptcy of their packaging supplier.

But the Young Enterprise approach is not without its critics, who argue that it is too narrowly focused on business enterprise and that the companies which are set up display the attributes of a large company writ small—with large numbers of specialised managers and share capital funding—rather than those of a small firm.

"The aim is not to make them self-employed," counters Jackson. "We want to enhance their career prospects. Young Enterprise companies all have real products, real markets and produce real results. We enable young people to turn theory into practice."

But teachers must be trained to give the right amount of help without stifling the pupils' initiative. The girls at Cheap Stitch chose their own area of business but say they would have welcomed more advice on how to run the company. The younger team at Planto was happy to use an idea put to it by the biology master.

Despite such problems the success of in-school enterprise programmes has prompted the principle to be adapted to schemes for the unemployed. The Youth Training Scheme, a two-year scheme for 16 and 17-year-old school leavers, is to be given an injection of enterprise in the shape of the Entrain project.

Entrain, which has both private and public-sector backing, is currently being introduced around the country. Its aim is to help participants to carry out a community, business or adventure-oriented enterprise project.

Getting to grips with a debt problem

LATE PAYMENT of debts by the customers of small businesses has been highlighted as a major problem for them in recent months.

On May 8 a bill put forward by Allan Stewart, Conservative MP for Eastwood, Glasgow, aimed at making life tougher for the bad payer, will be given its second reading. It seeks to allow creditors to take bad payers to court for interest payments as well as the amount owing and to move court actions from the High Court to the cheaper County Courts.

But for many small businesses the problem is self-inflicted, argues John Mirams, marketing director of PERT International, a consultancy. Often the small company supplier does not make his terms of trade clear in advance, does not check the credit-worthiness of the customer and does not have an efficient system to monitor and collect debts.

More than £25bn of trading debt is overdue at any time in the UK and the average credit period for medium and large companies is 58 days compared with just 39 in West Germany and 44 in the US. Small companies tend to have even longer credit periods.

Fifty-eight credit days represents just under 16 per cent of turnover and taking interest at around 13 per cent plus administrative expenses could cost industry 3.5 per cent of turnover.

British companies frequently compound the problems by mistakes and delays in their own procedures which give the customer reasons for delaying payment.

In one case 40 per cent of a company's invoices contained errors. Ninety per cent of companies still use statements presenting information in the wrong way while one in seven companies has no published terms of payment or conditions of sale, or has terms that are not appropriate to its business.

Legislation to make it easier for companies to recover debts will provide some relief but if a dispute comes to court the interest charges will already have been incurred and the customer almost certainly lost, says Mirams.

C. B.

Increased funding sought for cross-border projects

THE BACKERS of Venture Consort, the EEC scheme to subsidise cross-border venture capital funding in high technology companies, are continuing to lobby for an increase in the project's budget.

The European Venture Capital Association, which vets applications for Venture Consort funds, says it has seven applications for subsidy on its books including two requests for second-round financing from companies it has already helped.

Robert Ceurvorst, the association's secretary-general, hopes the EEC will provide Ecu 3.5m (£2.47m) this time round, a modest increase on the Ecu 3.3m made available last year. Last year's funding was provided outside the formal EEC budget but the scheme has been brought within the budget this time around. Ceurvorst hopes for a decision by the end of April.

In a recent review of the first 18 months of the scheme the European Commission declared it had been an outstanding success in encouraging cross-border syndication between European venture capital companies. Despite this, some member states have apparently expressed misgivings.

The Ecu 3.3m of funds went to a total of 18 companies and encouraged venture capital funds to put in more money to bring the total equity investment to Ecu 38.3m. The companies helped employ 1,202 people.

All of the aid went to new companies with 11 having been set up in 1983 and four being start-up companies less than a year old. Average turnover was Ecu 5.5m and the most common sectors of activity are computers, biotechnology and industrial products.

Four of the cross-border syndicates were headed by British venture capital groups while two each came from France, the Irish Republic and West Germany. Some of the companies were backed by funds from up to four countries though most found backers in two different countries.

The aim of the scheme is to provide the companies with financial backers in more than one country so that they can call upon them for information on local markets, thereby breaking down national barriers to business.

Up to now Venture Consort has set a maximum of Ecu 200,000 on individual investments. But as innovative companies are now requiring larger amounts of money the association is considering increasing the maximum to Ecu 400,000.

C. B.

In brief . . .

SHELL UK is expanding its Shell Technology Enterprise Programme (STEP), which places science, engineering, design and business studies students with small and medium sized companies for eight weeks in the summer vacation. At least 50 students from northern universities and polytechnics will be taken on this year compared with just 20 in last year's pilot scheme.

The aim of the scheme is to give the students work experience and increase their awareness of the opportunities offered by small firms. It also gives the owners of small businesses, who tend to neglect graduates as potential recruits, the chance to see the contribution they can make.

Firms and students will be selected by the Development agencies in Cleveland, Liverpool, Manchester, Nelson and Newcastle-upon-Tyne and by northern colleges. Placements will begin in July. Durham University Business School will co-ordinate the programme.

Contact the development agencies, Shell UK, Shell-Mex House, Strand, London WC2R 0DX or Durham University Business School, Mill Hill Lane, Durham DH1 3LB.

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TRANSNET, the London Transport Technology Network, is carrying out a survey of all transport-related small businesses in Greater London. The businesses range from bicycle repairs to rail freight and lorry weighing to bus ticket manufacturers.

The aim is to find businesses interested in new technology and to put potential partners in touch with each other. This should lead to new ideas getting into production more quickly and thereby creating or maintaining employment.

Contact Ian Bamford, TRANSNET, 16 Warren Lane, Woolwich, London SE18 6BW. (Tel 01-316 5959.)

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FT LAW REPORTS

Trade debt can be frozen in UK

DEUTSCHE SCHACHTBAU-UND TIEFBOHRGESELLSCHAFT mbH v R'AS AL KHAMAIH NATIONAL OIL COMPANY

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Woolf and Lord Justice Russell): March 24 1987

ARBITRATORS WITH power to choose the law of the arbitration are not confined to national systems, but may apply principles internationally accepted within the relevant field. Also, a trade debt owed to a judgment debtor is an asset within the UK capable of being frozen by the court if payment, though intended to be made abroad, is enforceable in the UK.

The Court of Appeal so held when dismissing appeals by the R'As Al Khamaih National Oil Company ("Rakoil") from Mr Justice Bingham's refusal to discharge an order freezing its assets in the UK; and from Mr Justice Leggatt's judgment upholding an order for enforcement of an arbitration award made against it in Switzerland in favour of Deutsche Schachtbau-und Tiefbohrgesellschaft mbH ("DST"), and setting aside leave granted to Rakoil to serve a writ on DST in Germany. Shell International Petroleum Ltd intervened in the appeal from Mr Justice Bingham's judgment.

SIR JOHN DONALDSON said that disputes arose between DST and Rakoil under an oil exploration agreement containing an International Chamber of Commerce (ICC) arbitration clause.

DST referred its claims to an arbitral tribunal in Geneva. Rakoil instituted proceedings in the court of R'As Al Khamaih. Neither party took part in the other's proceedings. DST succeeded in the arbitration, the award being $4.6m. Rakoil succeeded in the litigation. The damages were $1.4m.

Neither party could find a way of enforcing the decisions. In June 1986 rumours reached DST that Shell had been buying oil from Rakoil. It set about trying to satisfy the award out of Shell's payments to Rakoil.

On July 3 and 24 1986, on DST's ex parte application, Mr Justice Bingham made orders (i) granting leave to DST to enforce the arbitration award in the same manner as a judgment; and (ii) restraining Rakoil from removing out of the jurisdiction any debts due to it from Shell.

On August 8 the judge refused an application to discharge the injunction.

Rakoil obtained leave to serve a writ on DST in Germany, to enforce the R'As Al Khamaih judgment. The intention was to found a counterclaim to the claim based on the award.

An application to set aside that leave came before Mr Justice Leggatt at the same time as the application to set aside the leave to enforce the award as a judgment.

The judge refused to set aside leave to enforce the award. He set aside Rakoil's leave to serve the writ against DST. He stayed execution of the award until after the appeal against Mr Justice Bingham's refusal to discharge the injunction.

The appeals from Mr Justice Leggatt's and Mr Justice Bingham's judgments were heard at the same time. Shell was subjected to substantial commercial pressure to pay Rakoil in New York and was given leave to intervene.

Section 32 of the Civil Jurisdiction and Judgments Act 1982 provided that a foreign judgment should not be recognised or enforced in the UK if the bringing of proceedings in the foreign court "was contrary to an agreement under which the dispute in question was to be settled."

The proceedings in the court of R'As Al Khamaih were in breach of the arbitration agreement. The judgment could not be recognised or enforced. It followed that Mr Justice Leggatt was right to set aside leave to serve the writ out of the jurisdiction.

The arbitration award was a "Convention award" within the meaning of the Arbitration Act 1975, having been made in a state which was party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

It was therefore enforceable in the UK by action or under section 26 of the Arbitration Act 1950, which provided that an arbitration award might, by leave of the High Court, "be enforced in the same manner as a judgment." The proper law of the arbitration agreement was Swiss law, and the agreement was valid under that law.

It provided that "all disputes shall be finally settled under the ICC Rules. . . . The arbitration shall be held in Geneva." Article 13.3 of the Rules provided that in the absence of any indication as to the applicable law "the arbitrator shall apply the law . . . which he deems appropriate."

That suggested that the parties intended to delegate to the arbitrators the choice of law governing the substantive contract. The arbitrators had determined that the proper law was "internationally accepted principles of law governing contractual relations."

They said that the relevant contracts were between a number of companies organised under various laws, and that they would refer to what had become common practice in international arbitrations in the field of oil drilling concessions, and especially in arbitration in Switzerland.

Mr Longmore for Rakoil submitted that it would be contrary to public policy to enforce an award which held that the parties' rights and obligations were to be determined, not by any national law, but on unspecified and possibly ill-defined internationally-accepted principles of law.

There were three questions which the court had to ask when confronted with an arbitration clause providing that rights should be governed by a system which was not a state system of law: did the parties intend to create enforceable rights and obligations; was the agreement sufficiently certain to constitute a legally enforceable contract; and would it be contrary to public policy to enforce the award, using the coercive powers of the state?

There was no doubt the parties intended to create legally enforceable rights and liabilities, and that enforcement of the award would not be contrary to public policy. That left the question of whether the agreement had the requisite degree of certainty.

By choosing to arbitrate under the ICC Rules, particularly article 13.3, the parties had left the proper law to be decided by the arbitrators, and had not confined the choice to national systems.

There was no basis for concluding that the arbitrators' choice of proper law—a common denomination of principles underlying the laws of various nations governing contractual relations—was outside the scope of their choice.

The appeal from Mr Justice Leggatt's judgment should be dismissed.

Although it was convenient to refer to Mr Justice Bingham's order as a Mareva injunction, it was doubtful whether it fell in that category.

The Mareva innovation lay in giving a plaintiff some degree of protection before he became a judgment creditor. Once the judge gave DST leave to enforce the award as a judgment it became a judgment creditor.

On the Mareva approach the first question was whether Rakoil had any assets within the jurisdiction. The only asset which had ever been suggested was the trading debt owed by Shell. It was not, according to Rakoil, an asset within the jurisdiction.

The issue was bound up with the question whether the debt could be taken in execution of an English judgment in favour of DST by garnishment or appointment of a receiver, since it would not be right to maintain an injunction if it could not.

As far as garnishment was concerned, the only relevant jurisdictional requirements were that the garnishee should be within the jurisdiction, and that the subject matter should be a debt due to the judgment debtor from the garnishee. However, a garnishee order would not be made if it would not operate to discharge the garnishee in whole or pro tanto from his liability in respect of the debt.

Most nations had a rule similar to that of English law, that validity and effect of attachment of a debt were governed by the lex situs of the debt. A complication arose where the debtor carried on business in more than one jurisdiction but that did not arise in the present appeal since Shell asserted that it did not carry on business in New York. It was simply owed money by New York bankers.

If Shell were to default on its obligation to pay Rakoil its liability could certainly be enforced in the UK, and probably only in the UK. There was no suggestion it could be enforced in New York.

It followed that, but for the stay of execution, the debt could have been the subject of a garnishee order in the UK, and if payment were made to DST thereunder, Shell's indebtedness would be discharged for all purposes.

Shell was under commercial pressure to pay Rakoil, but that was no reason to refrain from upholding the judgment. The case was much stronger than the ordinary Mareva situation because DST was an actual, not potential, judgment creditor.

The appeal from Mr Justice Bingham's order was dismissed.

Lord Justice Woolf and Lord Justice Russell agreed.

For DST: Stewart Boyd QC and Ian Glick (Herbert Smith & Co).

For Rakoil: Andrew Longmore QC and Alan Pardoe (William A. Crump & Son).

For Shell: David Johnson QC and Mark Havelock-Allan (Middleton Potts & Co).

By Rachel Davies
Barrister

FINANCIAL TIMES SURVEY

Now part of the fabric of the country, the New Towns in the 1980s have to compete for investment with the old ones. The government's drive to sell off their public assets leaves the towns to make their own way, but those in the more prosperous south have the brighter future. **Paul Cheeseright** reports

Caught in the economy drive

THE VISION has faded now. The era is ending. The New Towns, into which successive governments have pumped £4bn of public money, are no longer new.

Now, they are part of the accepted fabric of the country, arousing comment only to the extent that particular interests are affected by the disposal of their public assets.

The New Towns were conceived by a generation for which expansion was a state of mind. They could provide new homes, new jobs, new surroundings for those in the overspilling cities of London, Glasgow, Manchester and Liverpool.

They could be focal points for new expansion in areas of the country which needed a new economic impetus. It was assumed that the population would continue to grow.

So they sprang up. Even as late as the 1960s, the idea was to establish one a year. Some were built on greenfield sites, some fitted on to existing towns. Others were promoted to foster development between existing towns.

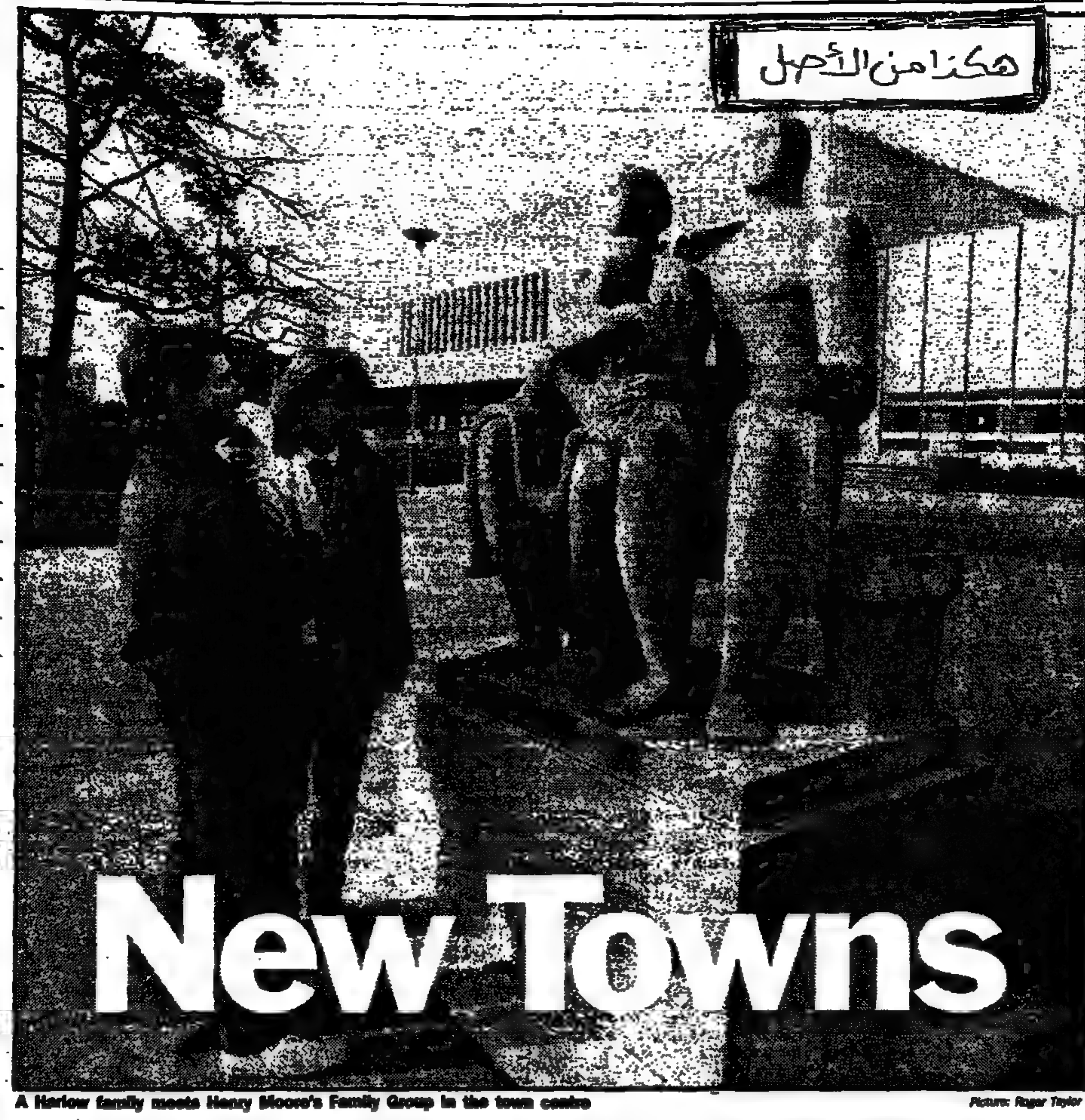
But the population did not continue to grow. Regional policy this decade has virtually ceased to exist. The New Towns battled to persuade industry and services to invest in their areas in just the same way as the old ones.

The present Government has not wished to continue a major programme of public investment. Rather it has sought to cut back its own expenditure and the New Towns have been caught up in that economy drive.

Through the Commission for the New Towns, the drive is on to sell the public assets. More than £660m-worth have gone and there is another £2bn for disposal over the next few years.

At the same time, the Government has been forced to switch its attention back to the cities that the New Towns in the first instance were designed to relieve. The problem now is not setting up new places for people to live and work, but to revive those where the people already are.

Official urban spending has switched back to the inner cities. Any spending on New Towns now is likely to come from the private sector with developments like Bradley Stoke near Bristol and the pressure to build new villages around London like Tillingham Hall.



A Harlow family meets Henry Moore's Family Group in the town centre

Picture: Roger Taylor

Where once the private builders would expect the Government to put in the infrastructure, build the schools and hospitals and community halls, now the private sector is prepared to do it itself—if it can obtain the planning permission. The Government does not have to act.

But there is a link between the New Towns and the inner cities. One of the enduring legacies of the New Towns is the technique used to set them up—the establishment of a development corporation, a single-purpose organisation with planning and financial powers.

The Government has picked up the idea of the development corporation and used it to bring about inner city regeneration—first London Docklands and Merseyside, now four more cities, and then a further 14 where the corporations will work, but without cash.

The development corporation is dead, subsumed by the Commission for the New Towns. Long live the development corporation. Except that it is not quite so clear-cut as that.

Certainly the Labour Party is not satisfied that the corporations have done their work in the New Towns. It would like to see them carry on.

Beyond that political opposition there is a strong regional lobby in the North East which does not want to see the corporations in Aycliffe-Peterlee and Washington disappear and it is on the cards that the industrial and commercial property portfolio will be handed on to English Estates, the Government's own property company, rather than be placed in the hands of the Commission for the New Towns for disposal.

Outside the North East, all the other English New Towns should be wound up by 1992. Cwmbran in Gwent, set up to provide housing near the new jobs being created along the south Wales coastal belt away from the cramped valleys, will become just a normal town next year.

In Scotland, however, where the New Towns are under control of the Scottish Office as opposed to the Department of the Environment elsewhere, there are no immediate plans to wind up the development corporations. Situated in a belt running across central Scotland, they are still seen as having a particular role in promoting economic revitalisation.

Nor is Whitehall's disengagement simple when it comes to housing. Having dropped previous policies where residential property was automatically handed back to the local authority, and become anxious both to sell to individual tenants and to pass on the public asset to housing associations, the Government has drawn out political ire.

Industrial and commercial property sales might be neutral politically, but housing is an emotional issue. The Government is now negotiating a code of practice for transfer with district councils and housing associations, but it is also engaged in a running dispute with Left-wing Basildon on the issue.

Disengagement or, to put it another way, obtaining some return on the £4bn investment, was always bound to be uneven if only because of the different historical antecedents of the New Towns.

In the northern parts of England there was no thought 20 years ago that the growth of prosperity would taper off, that whole sections of industry would disappear. So the New Towns, far from being a focus of growth, have found themselves with exactly the same sort of economic problems as the bigger cities.

"In weaker locations," says Mr Howard Thomas, the Commission for the New Towns' director of estates, "we're in the confidence business. We don't encourage too many developments in the same month so that everybody is fighting for the same tenants."

The New Towns, in short, are caught up in the North-South divide and are only as strong economically as the region surrounding them. In no way is this clearer than in the prices for land which might be used for providing employment, whether it is industrial, warehousing or some other purpose.

At one end of the scale, the price in Skelmersdale is £25,000 an acre and in Central Lancashire it is £50,000; in the Midlands, the price rises to £100,000 in Northampton and a little less in Redditch.

But in the London ring towns the price goes up sharply—£200,000 an acre in Basildon, £240,000 in Harlow, £300,000 in Stevenage, £600,000 in Crawley, £700,000 in Hemel Hempstead. And in the rich Thames Valley, prices go up to £1m an acre in Bracknell.

Howard Thomas: in the confidence business

Small wonder that the Commission for the New Towns has sold more than half the New Town assets for disposal in the London ring towns but faces a 10-year selling campaign in the north-west.

But the end of an era is not only a question of asset disposal. It is also one of regeneration of the new Towns themselves. While it may be a nonsense to talk of that in the Midlands, the North and in Scotland, where the New Towns have not necessarily reached the stage of generating their own development, the situation on the London ring is different.

Here the first-generation towns are in the middle of second-generation development. In Bracknell and Hemel Hempstead, for example, many of the original buildings have gone—the towns have re-built themselves.

This is the clearest signal that the ideas of the post-war planners have come to fruition. The New Towns, and their communities, have taken root and grown under their own impetus.

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NEW TOWNS 2

Shopping in Harlow, one of the London ring towns. Roger Taylor

Sheer necessity gave a powerful impetus to creating new communities to relieve urban congestion and provide more housing, says Hazel Duffy

Ideal that met a post-war need

"THE NEW Town programme has been one of the most successful things done by Britain in the post-war world in terms of its contribution to living and working conditions," says Mr Wyndham Thomas, former general manager of Peterborough *Development Corporation* and now chairman of Inner City Enterprises.

The New Town movement had its origins in the garden cities concept conceived by the Victorian idealist Ebenezer Howard *at the beginning of the century.* Howard's idea was that urban congestion and poor housing could be alleviated only if surplus population was moved out *to satellite towns,* with the co-operation of local authorities and the *private sector.*

His book, Tomorrow: A Peaceful Path to Real Reform, set out the fundamentals of the garden city approach. Although only two garden cities were set up—Letchworth, in 1903, and Welwyn (*which eventually became a* New Town) in 1920—the philosophy lived on.

During the 1930s, the movement for planned decentralisation gathered force and a Ministry of Town and Country Planning was set up during the war, poised to implement some of the ideas.

The election of the Labour government brought to power people who, *faced* with enormous housing problems, thought it natural that the resources of the state should be mobilised to meet the pressing needs for new housing and bet*ter working conditions.*

The New Towns programme was set up in 1946 by Lewis Silkin, formerly of the London County Council and then Minister for Town and Country Planning. He appointed Lord Reith, a planning enthusiast, to head the New Towns Committee.

The committee got *to* work rapidly, producing three reports that year, laying down the *principles* on which the public corporations responsible for the creation of the New Towns should work. (Reith also became chairman of the Hemel Hempstead development corporation in 1947, enabling *him to put his own principles* into practice.)

An essential feature of the corporations formed to run the New Towns was that they were put above the local authorities with which they worked.

London and Glasgow were the two cities around which the plans first took shape. Stevenage, in Hertfordshire, was the first New Town, followed by others around the capital to form the London ring. In Scotland, East Kilbride was set up with the same purpose for Glasgow.

Peterlee and Aycliffe in the North East of England, and Corby in the East Midlands, were added to form what became known as the first generation of New Towns created during the period of the Attlee Administration. It was interesting *that* with *these last* three, a new concept had come into being additional to that of providing overspill facilities for the *largest* cities in Britain.

In the case of the two North East towns, the New Towns *were created as a magnet to* attract industrial investment and so diversify the heavy industry base of the region.

Corby, meanwhile, was a booming steel town which needed a *lot of housing* for people who had migrated to the area for jobs, most from Scotland. It was a role which was to change completely 30 years later when most of the steel industry in Corby closed down.

Glenrothes in Fife was also set up during this period, in an old mining area, to attract new employment.

These were the halcyon days for the New Towns movement, particularly those built on greenfield sites. Forty years later, towns like Harlow in Essex still attract planners from abroad *to witness the post-war* experimental ideas in planning.

Sir Frederick Gibberd, principal architect of that town, was praised for the way that he brought together designs for buildings, townscape and landscape *into a cohesive whole.*

The standards of housing — although not always that good — were hgher than for public housing built by the local authorities. Industrial buildings were located in specially-*designated* parts of the towns, and recreational facilities were often good.

The early towns were a far cry from the congested slums of the cities, from where many of the new residents came.

*Pedestrianised areas, for in*stance, were then a brand new idea, and it was the New Towns where they first made their appearance.

There was more to the towns than planning, however. "They *were regarded as social experi*ments," says Prof Gordon Cherry, planning historian, at Birmingham University.

There were teething problems, inevitably. One of the best-known sociological studies, "Family and Kinship in East London," by Willmott and Young, catalogued the break*down of community life when* people from the East End were re-housed in Harlow.

How important were the New Towns in the changing social order of the postwar period? "I do not think their contribution was that significant," says Pro*fessor* Cherry.

"The drift in employment and *housing away from city centres* had been happening anyway, from London towards the suburbs in particular in the 1930s. And the move towards a more classless society was going on in any case."

The *New Towns movement* lost some momentum when the conservatives came into power in 1951, but not as much as might have been expected by the philosophical differences with the Labour party. Idealism had given way *to sheer need,* with-not very different remedies.

Britain's housing problems were *still immense,* and *this was* the key to the continuing need for the towns. The 1951 Census recorded about one third of houses without a bath. By 1960, the Conservatives were planning one new town a year.

In 1961, Skelmersdale was established north of Liverpool. It was seen as "a safety valve for North Merseyside—to create new jobs and a new environment," says Mr John Leigh, executive officer, Commission for the New Towns, Skelmersdale.

This was at a time when the *area was looking to see* where it might expand. The birthrate was going up. There was no outward migration in what was then a stable economic community.

Skelmersdale was the first of *the second generation of New* Towns—followed by Redditch, Runcorn, Washington in 1964. In many respects, Skelmersdale signified the problems engendered by location—New Town or no New Town—which acts as *a drag on development.* Runcorn (merged with Warrington in 1981) was more accessible from the rest of the country than Skelmersdale, something that became increasingly important with the waning of Merseyside.

By the late 1960s, the third wave of New Towns was under way. Milton Keynes, Peterborough, Telford, *all sprang from* the booming West Midlands economy, as it was then. But the warning signs that the population boom was turning down were just becoming apparent. Already, there was a move towards restoration *of* the existing city fabric in place of clearance and sending people to live in new areas.

In Glasgow, for instance, a start was made to the programme which led to renewal of the eastern part of the city by the rehabilitation of old dwellings. Central Lancashire — an amalgam of three existing towns — was the last New Town to be designated, in 1970.

Over the years, the towns adapted to changing conditions and needs. Some were geared to a much *higher* private sector housing proportion than the early towns, for example. The publicly-owned housing, increasingly, has been sold to tenants and housing associations — a mark, say the towns' supporters, of the merit of the houses.

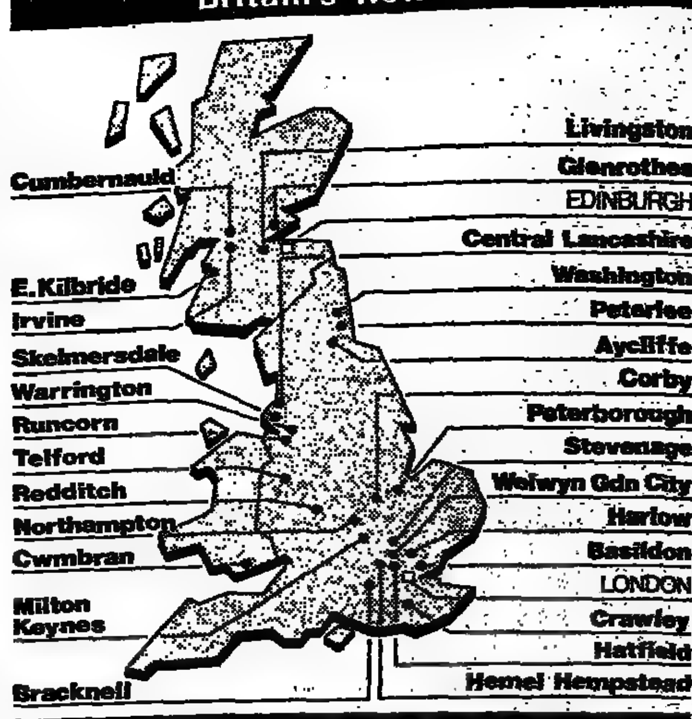
However, the new Conservative government of Mrs *Thatcher in 1979, disliked* the "quango" nature of the way in which the New Towns were run, and the start of the planned dissolution of the structure was set in motion.

But they were not entirely a thing of the past. The two urban development corporations set up by Mr Michael Heseltine in London *Docklands and* Merseyside, in the early 1980s — with their own planning powers — were modelled largely on the New Town development corporations.

Their purpose, like that of the *New Towns,* was to get things done quickly, and, if necessary, over the heads of the local authorities. Last year, the Government gave the go-ahead for four more UDCs.

For the New Towns themselves, *their success in general* can be measured by the fact that most are now ready to take their place in Britain simply as towns.

Britain's New Towns



Shops at Milton Keynes', huge central complex.

Technician working in a factory laboratory at Telford. Roger Taylor

Designation and wind-up of England's New Towns

	Date of designation	Transfer to Commission	Housing transfer	Community asset transfer
1st GENERATION				
Stevenage	1946	1980	1978 & 1982	1981
Aycliffe*	1947	(1988)	1978 & 1982	(1986)
Crawley	1947	1962	1978	under discussion
Harlow	1947	1980	1978 & 1980	(1986)
Hemel Hempstead	1947	1962	1978	under discussion
Hatfield	1948	1966	1978	1983
Peterlee*	1948	(1988)	1978 & 1983	(1986)
Welwyn Garden City	1948	1966	1978	1983
Basildon	1949	1986	under discussion	under discussion
Bracknell	1949	1982	1978	1983
Corby	1950	1980	1978	under discussion
2nd GENERATION				
Skelmersdale	1961	1985	1985	under discussion
Redditch	1964	1985	1985	1985
Runcorn*	1964	1989	under discussion	(1987)
Washington	1964	(1988)	1985	under discussion
3rd GENERATION				
Milton Keynes	1967	(1992)	under discussion	under discussion
Peterborough	1967	(1988)	(1988)	(1988)
Northampton	1968	1985	1985	1985
Telford	1968	(1992)	(1987-88)	(1987-88)
Warrington*	1968	(1989)	(1987)	(1987)
Central Lancashire	1970	1985	1985	under discussion

*Warrington and Runcorn Development Corporations were merged in 1981. Aycliffe and Peterlee Development Corporations were merged in 1985. (1988)=target date

Source: Commission for the New Towns

Cwmbran in Wales, designated in 1949 and with a 1986 population of 46,100, disposed of its housing assets in 1986. Wind-up and transfer to the Commission for the New Towns is projected for March 1988.

Assets sell-off

£2bn sales programme going flat out

THE GOVERNMENT hopes to realise some £2bn from the sale of property assets in the New Towns by the mid-1990s. A sales programme, which began tentatively in 1978 and gathered pace once the Conservative Party came to power in 1979, is now going flat out.

It is all part of the more general privatisation programme. From the Government's point of view, the asset sales provide funds for investment in the New Towns where that is still necessary; reduce pressure on the public sector borrowing requirement; and bring the state's landholdings down to a level where they meet its own needs and nothing else.

Sir Neil Shields, who as chairman of the Commission for the New Towns is responsible for putting the policy into effect, recalls that "Mrs Thatcher was determined. She said the New Towns are costing money, but they have got a lot of assets. If you want further money for the New Towns, find it from your own resources. Instead of just managing, enhancing the assets, you should sell as well."

The point here is that the Commission has continued the development of infrastructure that development corporations, now defunct, had started and, especially in the towns of the Midlands and the North West, has carried on spending to raise the prosperity of the towns.

It is, for example, renovating the shopping centre in Skelmersdale. At the same time, it is seeking inward investment — hence a recent mission to the Eastern US. And it is forced to spend on housing rehabilitation.

The latest Commission accounts show accumulated capital expenditure at £294.7m, of which £109.1m was spent in Central Lancashire, £43.6m in Skelmersdale, £31.9m in Redditch, £30.1m in Corby and £22m in Northampton.

But such spending has been more than covered by the sale of assets, which has been running slightly ahead of the targets set by the Department of Environment. These targets apply not only to the Commission but also to the development corporations in towns which have not yet passed into the supervision of the Commission.

The combined target for the years 1981-82 to 1985-86 was £485m. Actual sales came to £510m. Since 1979 total sales have been £662.8m. But it has proved easier to make the sales in the southern part of the country, where economic conditions are easier. Elsewhere, investment is aimed at hastening the ultimate sell-off.

Summing up the trends, Mr Howard Thomas, director of estates at the Commission, says: "In the main, we'll be out of the London estate (the London ring towns) in three years' time.

"In the North West it is a 10-year job. We should be out of the Midlands somewhere in between. It will take a little longer in Corby than in Northampton."

The Commission is currently handling sales in 13 towns—Basildon, Bracknell, Central Lancashire, Corby, Crawley, Harlow, Hatfield, Hemel Hempstead, Northampton, Redditch, Skelmersdale, Stevenage and Welwyn Garden City.

But as development corporations in other towns are wound down it will become responsible for asset disposal in Peterborough (September 1988), Telford (September 1991) and Milton Keynes (April 1992). The target date for winding up the development corporation in Runcorn-Warrington is March 1988 and for Aycliffe-Peterlee and Washington it is September 1989.

Last year the value of the industrial and commercial property and land available for disposal in these towns except for those in the North East was put at £1.4bn, more than twice as much as the total return from the disposals so far.

Housing has been treated in a different way from the industrial and commercial property. Much of it has been public housing and generally the control of this has been handed back to the local authorities.

There have been two major rounds of transfers, in 1978 and in 1980-83, but at the cost of the Environment Department providing authorities with funds to rectify defects in the properties.

Latterly the Government has been prepared to transfer housing stock, not only to local authorities but also to housing associations. There is also a policy of encouraging private purchases by tenants.

In 1985, 6,000 homes in Central Lancashire were transferred to housing associations. But the whole question of transfer has become complex and sometimes acrimonious. Negotiations for transfer in Basildon, for example, have been going on—and off—since 1976.

Sir Neil Shields: "Mrs Thatcher was determined."

Basildon Council has been holding its own referendum among tenants to decide what they want to do about transfer, but the Government does not think this is full consultation.

Meanwhile, the Association of District Councils and the National Federation of Housing Associations has been urging the Government to end uncertainty about transfer in Runcorn-Warrington, Telford, Peterborough and Milton Keynes and start balloting tenants about where control of public housing should rest in the future.

Generally, however, the sale of industrial and commercial property has proceeded less controversially. Much of it has not led to any change of occupancy, because the freehold of any property is first offered to the tenant.

The National Audit Office recently completed a scrutiny of the way the Commission and the development corporations have been handling asset sales and it found that 42 per cent of Commission transactions were to tenants and they accounted for 28 per cent of the total value.

The National Audit Office was charged by Parliament to see whether the Government is getting proper value from the disposals programme. As Sir Gordon Downey, the Comptroller and Auditor General, noted: "With assets worth more than £1.4bn still to be sold, a 5-10 per cent variation in performance represents a gain or loss of £70-£140m to the Exchequer."

In the main, the Audit Office concluded, the Department of the Environment, which is responsible for the Commission, and the New Town bodies "have controlled and implemented the programme effectively and professionally." But it did find there was room for improvement and noted particularly:

- "The need to ensure that assets are sold by competitive tender unless there are good reasons to do otherwise."
- "The need for the corporations to take a more robust line in negotiating sales of assets to tenants."

The job of the Commission and of the development corporations is to obtain the highest value it can for any particular property but sometimes, the Audit Office found, the sellers were not using up-to-date valuations.

Since the report was published at the end of last year, the Commission has taken a number of steps to tighten up its operations:

It has closed individual offices in the London ring towns and centralised its London estate selling at its headquarters. It has stopped destroying its files.

More vigorous moves have been made to expose its properties to the widest possible market. The commission has made certain that fresh valuations on a property are done if negotiations become protracted—it is reviewing each outstanding case every three months. And the development corporations have started to lean more heavily on professional advice.

Selling procedures can certainly be tightened up, but the timing of sales by the Commission is more difficult. The state of the economy ensures that there will be competition for sites around London, but this is not the case elsewhere.

To give the Government value for money, sales have to be carefully staggered. And here the instructions the Commission has are deliberately vague. "If the instructions were made more precise," Sir Neil once noted, "we would have to go hell-for-leather in Skelmersdale, just like Crawley. We'd have to give the stuff away."

Paul Cheeseright

The North West

A struggle to hold on to jobs

SKELMERSDALE was a dream of the future that never came. Central Lancashire was neither new nor a town.

Skelmersdale is struggling to climb out of the trough of its own economic despondency. Central Lancashire is bracing for a struggle to hold on to the jobs it already has.

They share the general problems of the North West region. And in the North West economy, notes Brian Birtwhistle, executive officer for the Commission for the New Towns at Central Lancashire: "You spend a lot of time not running to stand still exactly—that's too pessimistic—but you run hard to move forward gradually."

If the Government is looking for a bonanza of asset sales here, it will have to wait.

In Central Lancashire there is £50m worth of assets available. Split 50-50 between industrial and residential property, sales in the 1986-87 financial year will total £8m, but could reach £9m in 1987-1988.

Assets for sale in Skelmersdale are worth about £25m, and sales in the current financial year will be about £500,000, rising to £1m in 1987-88. "We're trying to get the town moving to sell it off," says John Leigh, the CNT executive in Skelmersdale.

Both have seen plans for sharp population growth scaled down. Central Lancashire at one time was intended to grow from 235,000 to 400,000. It has reached 258,000 in 17 years. Skelmersdale was destined to start from scratch and have a population of 80,000. It has reached 41,500 and now has a revised target of 60,000.

Both were conceived out of prosperity—Skelmersdale to act as an overspill area for Merseyside with new economic activity in a fresh environment; Central Lancashire to act as a focal point for new development in the Lancashire of the post-textiles era. But both tried to grow in the years of economic downturn.

Central Lancashire was really a development agency welded on to the local government machinery working in Preston, an old textile town; Leyland, a one company bus and truck town; and Chorley, a market town.

But Skelmersdale was in the literal sense a greenfield site, a town pitched into Grade One agricultural land. Only now is power gradually being returned to the West Lancashire District Council, a body of rural experience.

Central Lancashire New Town: running hard to move forward

So far Central Lancashire has been able to hold its own. Its unemployment rate at 10.8 per cent is under the national average and some three percentage points under the Lancashire average.

There is a solid core of employment in Preston, a local government and police headquarters town. British Aerospace has plants in the area, people go outside the boundaries to work at British Nuclear Fuels, GEC Traction is a big employer. Then there is Leyland.

Leyland is to start shedding another 2,500 people. In the past, when it has cut its personnel, the job losses have been absorbed. "To some degree, buoyancy has been able to accommodate the job losses. But the unfortunate thing is that we will not be able to make good the losses this time," Mr Birtwhistle warns.

Much of the work, first of the development corporation, then of the Commission for New Towns, has been to create jobs, so that the dependence of the area on the big employers is lessened. New industrial estates have been set up, old mills have been converted and refurbished as small industrial units.

Companies have come—BASF, Novotel, British Car Auctions, Servicescope—but they are not queueing up to take vacant sites.

The problem for Skelmersdale, on the other hand, was that after the first rush of big companies to the town, the smell of failure began to pervade the place. Courtaulds and Thorn came and went. The knock-on effect took smaller companies out of business.

"Skelmersdale was recognised by the publicity of its closures," Mr Leigh says. But Dunlop stayed. Garrett Airsearch stayed to become one of the town's biggest employers with 600 people.

Now the big employers include Nacanco and the Co-operative Bank with its customer services bureau. Recently the National Farmers Union elected to put a local headquarters in the town and Regentcrest, a company controlled by the Richardson twins—property developers of Birmingham—took over for a nominal price the 425,000 sq ft factory which once was Thorn's.

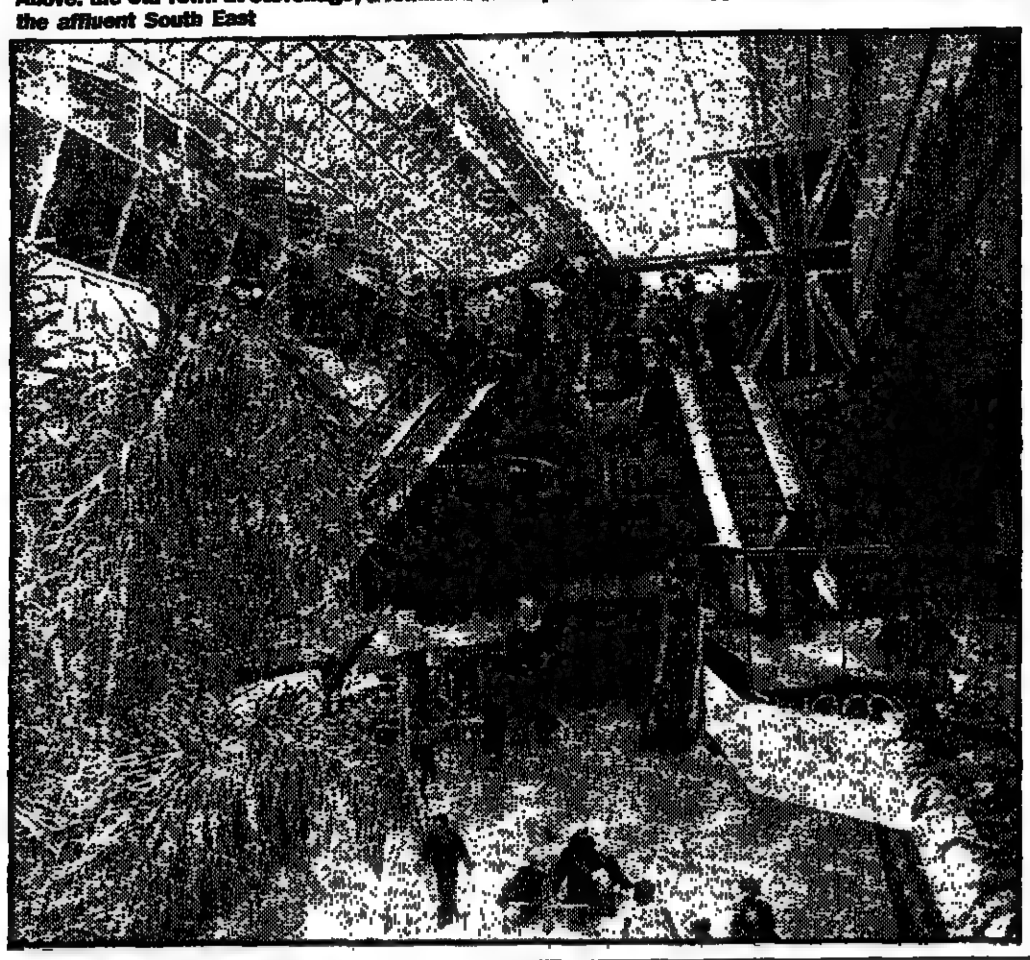
For Mr Leigh this is evidence that "we're well on the way to pulling out of the trough we were in." One reason for this is that the CNT is stressing the virtue of Skelmersdale as a distribution centre—probably what attracted the Richardsons—and has thrown out the old development corporation policy of emphasising only manufacturing.

But the fact remains that unemployment is double that of Central Lancashire. The National Audit Office last December put it at 21 per cent. Local estimates have it higher at 24-25 per cent. This is the town's biggest problem, according to Mr Leigh, noting "social problems that come from lack of spending power."

Skelmersdale is no more isolated than Central Lancashire from the economic movements outside. Half the working population goes outside the town to work and is roughly balanced by the number coming in.

Paul Cheeseright

Above: the Old Town at Stevenage, a reminder of the past. Below: Shopping centre at Basildon, part of the affluent South East



The South East

Wider role in a prosperous region

PROSPERITY BRINGS planning problems as the South East of England is discovering. The prosperity pattern—particularly marked to the west of London, less so to the east—is pretty well reflected in the ring of New Towns around the capital.

All except Milton Keynes were designated in the immediate post-war period. Located within 25 miles of London, their main purpose was to provide overspill facilities for the population growth of the capital and new homes to replace those lost during the war.

The policy also was to provide work in the towns where people had been re-located. In this it has been largely successful, although unemployment in some of the New Towns is still higher than in the South East as a whole.

One of the main points of interest today is where the towns see their future. Apart from Milton Keynes, their development corporations have all been wound up and the assets transferred to the Commission for the New Towns for disposal.

At the same time, the councils are taking a much more active role in planning for the next stage of development of their towns.

Harlow, which celebrates its fortieth birthday this year, has just published the consultation draft of the plan which will take the town into the next century.

Communications improvements, notably completion of the M25 orbital motorway, 10 minutes from Harlow, and the M11 between London and Cambridge, is pushing the town into a new and expansionary phase of development. The designation of nearby Stansted as the third London airport also puts new pressure on Harlow to provide homes and industrial space.

Mr Harry Platt, Harlow's general manager, says: "From being an insular town, we are finding ourselves with a new role in a prosperous region."

Housing was the main reason for the New Town going to Harlow in the first place, and it is housing which has been the main constraint on the town's expansion.

The Harlow master plan, drawn up by Sir Frederick Gibberd, the architect and planner, provided for a target population of 60,000. This was later amended to 80,000, to be housed in neighbourhood clusters with a primary school at the centre. The clusters were separated by "green wedges" which are a feature of the town.

Harlow has been losing population in the 1980s because it does not have enough homes for the younger generation. "They're leaving in droves, says one planning official. "We have the highest migration out proportionately of any district in the country."

Yet the town has also been identified as a suitable location to house those who will move into the area to work at Stan sted, for which it is estimated about 1,000 homes will be required.

The problem was that insufficient land was made available for such expansion when the boundaries were defined. Harlow has had to go outside its boundaries for land and is awaiting approval by the Environment Secretary for a site which would go some way to meeting its needs.

If approved, these new homes will be built by a private sector consortium but some houses would be made available to the council for renting.

Existing houses—around 24,000—were transferred to the council when the Commission moved in six years ago. About 20 per cent have since been sold to tenants.

Harlow, in Essex, exemplifies some of the changes which affect these London ring towns and the efforts being made to meet the conditions of the 1980s and 90s.

Industrial and commercial interests in the South East are focusing more strongly on Harlow, reflecting the growing interest in the eastern M25 areas. Land is still considerably cheaper at £220,000 to £240,000 an acre than just west of the town, and much cheaper than to the west of London, but Harlow is catching up.

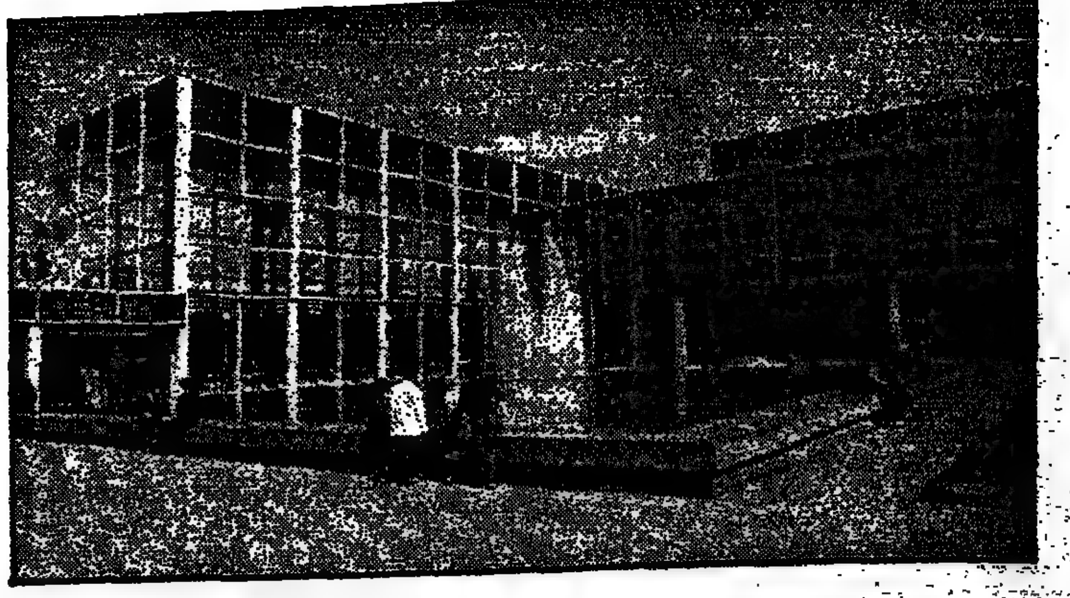
The council is anxious to promote investment which will lead to good quality jobs in the town. As it is, about one-third of residents work outside, of which 40 per cent commute to London. Good communications mean that about one-third of Harlow's workers live outside.

Residents believe Harlow is in danger of becoming a commuter town, aided by the Stansted development. That goes against the principles on which New Towns were founded, and of which Harlow—with a very good sense of community spirit—is proud. Hence, the council has become more and more involved in promoting the town to potential investors.

It also wants to anchor the town as a regional shopping centre—plans for a new centre, and for a new town hall, are included in the consultation document.

Housing, employment, leisure—the mix is the same as 40 years ago, but the planning challenge in the second phase of the South East's New Towns like Harlow is different and perhaps just as difficult.

Hazel Duffy



Relaxing in central Milton Keynes

Corby

Town that had to survive steel

CORBY, in the Midlands, has had a more chequered history than most of the New Towns. It was designated in 1950 and the development corporation was set up largely for two reasons: to provide a better living environment for the thousands of workers employed in the steel industry, and to foster alternative types of employment to steel.

It was not until 30 years later that the full force of the second reason came to be tested, to an extent that must have met the worst fears of the original planners. The British Steel Corporation's closure of the integrated steelworks left BSC Tubes the sole employer of steel labour in the town.

More than 6,000 were made redundant by BSC, presenting Corby with the huge task of finding replacement jobs. Corby had just been transferred to the Commission for New Towns, and a programme of asset disposals, in accordance with Government policy, had been drawn up, when the blow struck.

A joint approach to the problem was vital. The development committee was set up from the county council, district council, BSC Industry, and the Commission, and a director of development appointed.

In 1981, Corby became the first enterprise zone in Britain. This designation put industrial development outside normal planning regulations (other than building regulations) and granted companies setting up in the area a 10-year rates holiday from 1981.

Corby had several advantages over towns in other parts of Britain struck by similar disasters. It is close to major road networks (and links to the East Coast ports will be improved substantially with the expected go-ahead for the M1-A1 link).

It also enjoys pleasant rural surroundings—an attraction to incoming executives in particular. It is the closest area to London which qualifies for regional development grants and regional selective assistance.

And, as a steel closure, it became eligible for European Community grants to facilitate clearance and reclamation of the land on which the old steelworks stood.

Rapid rehabilitation was essential. "We had to show the people of Corby that the steel era was over and to give them the confidence that a new era had begun," says Mr Graham Lloyd, executive officer of the New Towns Commission at Corby.

"We provided the land (the development body bought 300 acres from BSC most of which formed the base of the enterprise zone), bricks and mortar, and advice."

As far as possible, it aimed to become the "one-stop shop" where industrialists considering Corby could obtain all the information and help they needed, along the lines of the development agencies in Scotland and Wales.

It was a vastly different challenge for the Commission than when it had gone in to take over from development corporations in other New Towns. The corporations themselves had never had to face the disappearance of the economic base of the community on this scale.

With the district council, the Commission became the driving force in attracting jobs. The timing was not helpful. British industry was embarking on a period of stringent slimming down, the consequences of which became particularly apparent to the west and north of Corby. Hardly a town in the region was unaffected.

Corby had succeeded in bringing about 6,000 jobs to the area, just about making up for the loss from the steel industry. Unemployment is high at around 18 per cent, but it is going down and is now considerably lower than it was immediately after the closure.

Corby could not afford to identify sectors on which to concentrate its promotion efforts. Jobs were needed, and quickly. There have been disappointments, notably Commodore computers, which came, and went when its market collapsed.

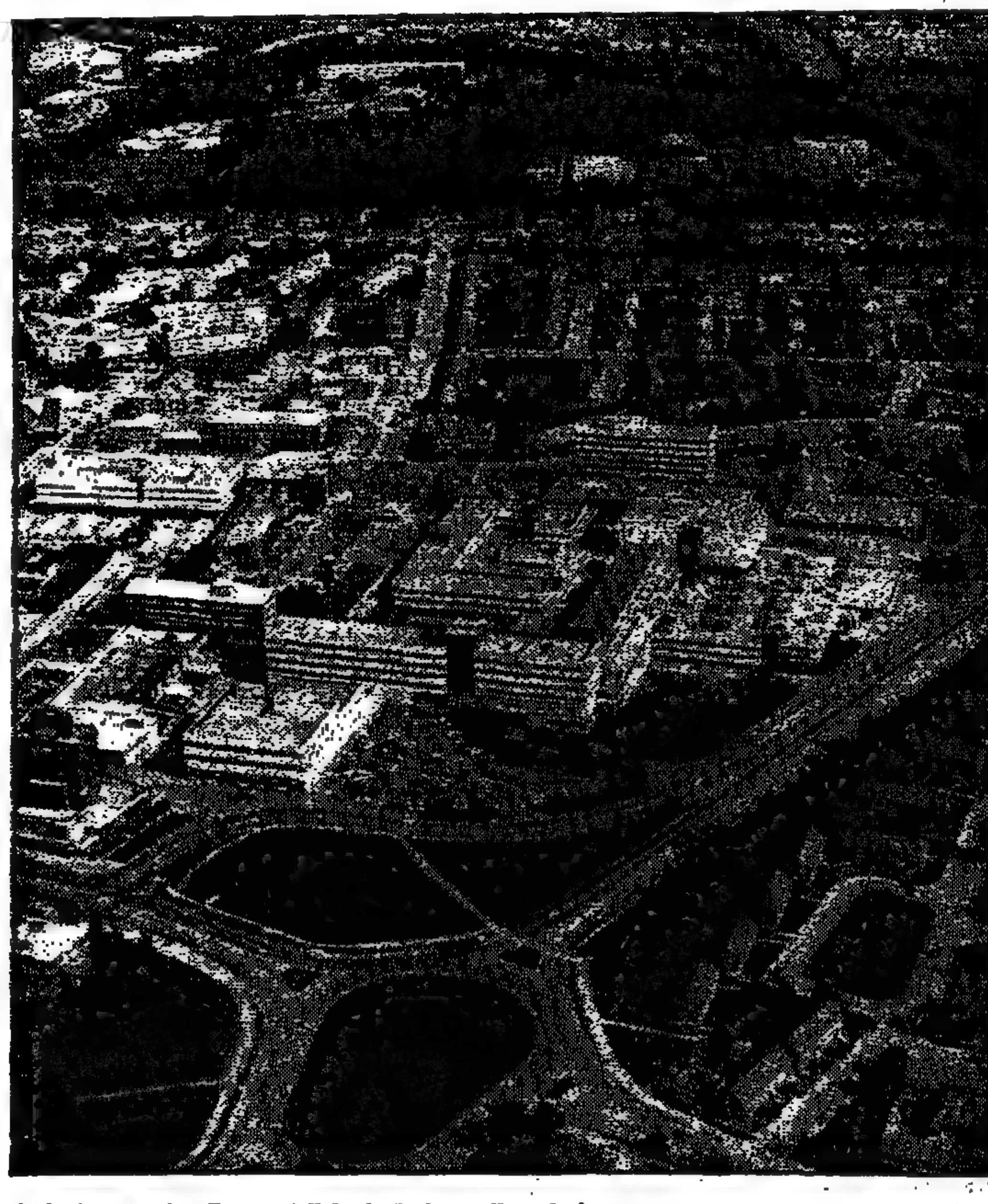
More than 60 per cent of the business base, however, is industrial—much higher than in other parts of the country. Furthermore, the very diversity of that base—in contrast to that formerly—affords hope that there will never be a repeat of closure on the scale of 1981.

The Commission has invested about £10m a year in Corby since that date, preparing sites, and building factories. Some have since been sold, sometimes to tenants.

But asset sales, which were the original reason for the Commission going into Corby, had to take a back seat for much of the time. So far, they have brought in £13m. Now, the emphasis is again being placed on sales as the emergency period of jobs provision draws to a close.

No date has been set for the Commission's withdrawal. But, barring setbacks, the next five years should see the job completed. By which time, the last remaining vestiges of steelmaking on the skyline outside Corby will have been ploughed into the ground.

Hazel Duffy



Corby town centre: Transport links to Corby continue to improve

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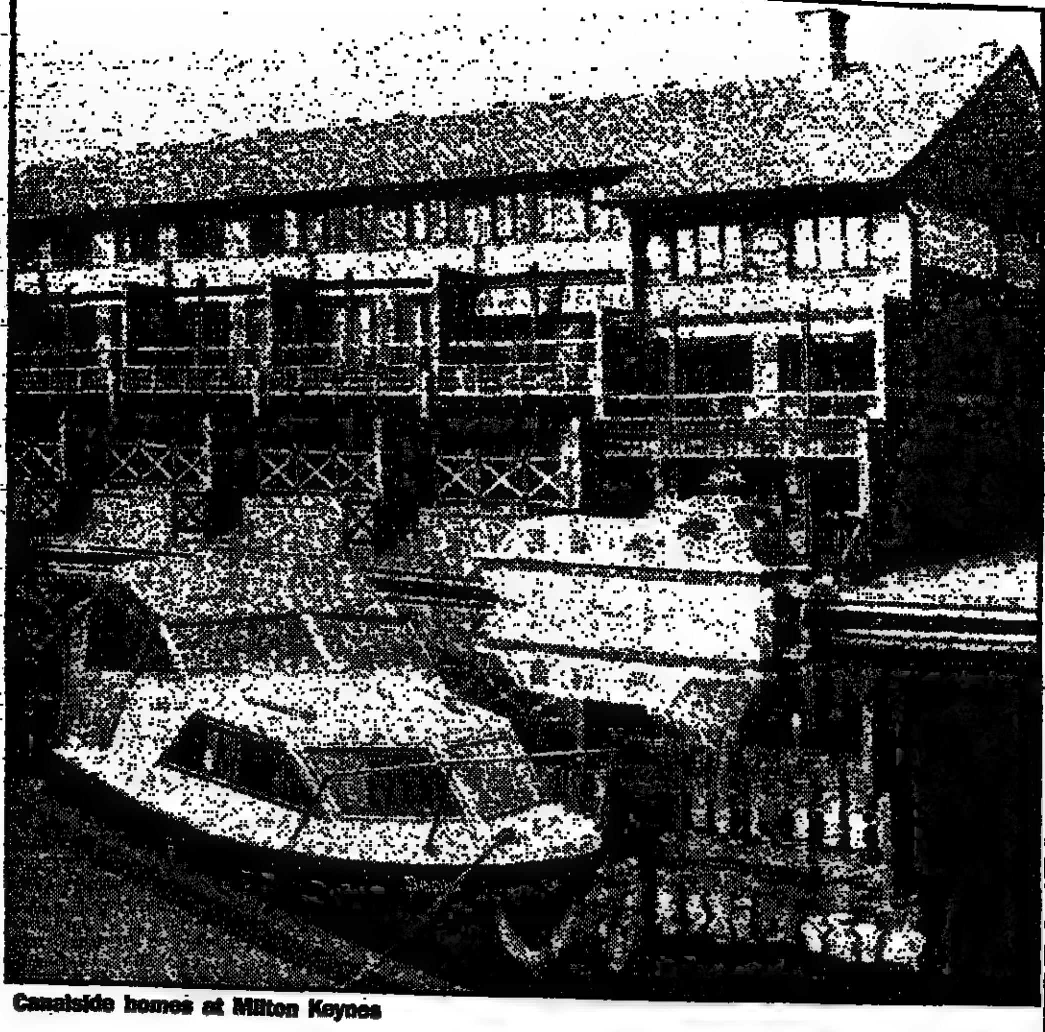

Canalside homes at Milton Keynes

Housing

Sharp variations in style and quality

HOUSING IN the New Towns is uniform, unimaginative and dreary, many people say—particularly those people who do not see a New Town from one year's end to the next.

The question is, how firm a foundation, if any, does this prejudice have? The answer, looking at what is on offer in the range of new communities, is that it is decidedly shaky.

Because the New Towns—now giving way to another fashion, for Inner City redevelopment—are not the product of centuries of largely unregulated growth as are our cities, it is not within their nature to be as various and individualistic as cities. They simply do not have the legacy.

But it is within the scope of the New Towns to give their inhabitants cleaner, roomier and altogether more comfortable homes than otherwise might have been possible.

Elsewhere, the prevailing aesthetic, it sometimes seems, is now moving away from the light and space which New Towns are about, and back towards the crowding, cobbles and murk from which New Town dwellers fled in the first place. The more the houses of the New Towns, with their greens and car-free areas, succeed in delivering pleasant homes for all kinds of people, the more they displease the fashionably-minded.

What is on offer in housing in the New Towns varies sharply in quality, not only from town to town but within the same place. Harlow, for instance, has some of the worst low-rise accommodation and some of the best high-rise that is to be found—although people of different tastes might argue that it is the other way about.

Corby, Skelmersdale and Telford can be as dreary as this country gets. On their day, Bracknell, Stevenage or Welwyn Garden City can be as cheerful as anywhere. In either case, the reason is not solely nor even primarily architectural.

Possessed of greenfield sites and large amounts of public—and these days, private—money, the New Towns have had the freedom to throw open housing design to architectural competition.

Though this can result in acres of housing representing the ruling achitectural fad of the day, at best this desire to innovate means the first fully-cabled houses, more energy-efficient homes. In many cases it means far better homes than are on offer anywhere else and with more spacious surroundings.

For many, Milton Keynes encapsulates what a New Town can be. Part commuter town, part self-sufficient, it is a place of some vitality, and the housing reflects that.

Milton Keynes claims an average 2,500 completions every year for the past five years, about 1 per cent of the national total. There is a wide variety of home, both in style and tenure—including some shared-ownership homes, for example.

The balance has swung away from the building of homes for rent towards homes for sale, and there are no fewer than 40 developers at work on 86 sites.

The development corporation's exhibiton last summer of 50 of the most energy-efficient homes in the country attracted considerable attention. These ranged from one-bedroom designer starter homes to five-bedroomed detached houses.

Perhaps the strongest guide to Milton Keynes' enthusiasm to provide variety of housing is its self-build programme, where plots are provided, with main services, for individuals or families to put up their own homes.

Advice is provided for those who need it and the full cost of the plot can be deferred.

Such moves are bound to attract both a greater diversity of housing and people. Individuality, if sometimes at bay in the New Towns, is now reasserting itself strongly.

Ross Davies

Scotland

Vital centres for industry arrivals

NEW TOWNS probably loom larger in Scotland than they do in England. Though there are only five of them they are seldom out of the news for long, mainly because it is in the New Towns that most new industry in Scotland is located.

No less than 80 per cent of companies setting up in Scotland choose to go to the New Towns, and such moves are always widely publicised. Some of the older New Towns get media coverage on the melancholy occasions when plants have been in existence for the best part of a generation close down.

Scotland's New Towns were created for two reasons: first, to strengthen the Scottish economy by "providing an environment in which industry could expand and flourish" in the words of a Scottish Office policy statement of 1981; and, second, to take population and industry away from congested urban areas, mainly Glasgow but also other towns in western Scotland.

These were the origins of East Kilbride, founded in 1947, just south of Glasgow; Cumbernauld, established in 1955 to the north-east; Livingston set up in 1962 to the west of Edinburgh; and Irvine in Ayrshire, set up in 1966.

Glenrothes, in Fife, was originally establised in 1948 to cater for coalminers moving from western to eastern Scotland as mining in the west ran down, but then became a centre of economic growth anyway. A project to build a sixth new town at Stonehouse, near Glasgow, was abandoned in 1977.

No one doubts that the five New Towns have already fulfilled their function of providing overspill housing: some 256,000 people live in them—the most (70,000) in East Kilbride, the fewest (38,000) in Glenrothes.

In fact some of the criticisms of the New Towns policy in Scotland is that in a country whose population is slightly in decline anyway, they have drained too many people away from Glasgow, leaving it somewhat empty. The same criticism is made, on a smaller scale, in respect of towns lying close to successful New Towns, for example Bathgate, which is to some extent overshadowed by Livingston.

With the overspill function fulfilled, the emphasis has concentrated purely on attracting industry and stimulating economic development. The New Towns corporations complement the major efforts to attract inward investment by the Scottish Development Agency. They sell themselves hard individually, proclaiming their greenfield environment and the financial incentives and ready-made industrial sites they can offer.

It is reckoned that the New Towns have provided about 80,000 new jobs since they were established though it is complicated to measure objectively how successful each New Town has been. Each has its prestige companies—such as Motorola at East Kilbride or Rodime at Glenrothes—but they have also had their disappointments, such as the recent decision of Unisys to pull out of Cumbernauld and concentrate its activities in Livingston.

Livingston is arguably the brightest star among the Scottish New Towns at the moment, growing fastest thanks in part to its geographical position nearly mid-way between Edinburgh and Glasgow. It has succeeded in attracting many of the new crop of electronics and biotechnology companies coming to Scotland and in 1985-86 had its greatest growth in employment since it was founded—a net increase of more than 1700 jobs. Yet Livingston still has a 17 per cent unemployment rate. Its current population is 40,000.

By contrast Glenrothes is growing fairly slowly, and the number of jobs created through the arrival of new companies could barely match the number of jobs lost through the shutting down of other concerns. Not only does Glenrothes lack a dual-carriageway connection to the M90 motorway, but the town recently lost its special development area status.

Its development corporation's latest report notes a sharp falling off in interest and inquiries from prospective investors. It laments that Locate in Scotland, the offshoot of the SDA which deals with inward investment, does not now steer major inward investment inquiries towards Glenrothes "as it is considered that inquirers do not want to waste time considering locations where maximum grants are not available." Glenrothes has a population of about 38,000.

The Scottish New Town development corporations report to the Scottish Office and are in that sense separate from their English counterparts, though they are ultimately funded by Westminster. Nevertheless, in 1982 Mr George Younger, then Secretary of State for Scotland, recognised the objective of eventually winding up the New Town corporations. The towns were at that time asked to say what tasks they considered remained to be fulfilled and how they planned to fulfill them.

That exercise culminated in a decision in late 1984. It was agreed that when the population of each New Town reached a certain percentage of its "designated" population, the process of winding up the development corporation would begin — a process expected to take five years.

These trigger percentages represented a slight scaling down of the population objectives of all the New Towns. For East Kilbride the winding up process would begin when 90 per cent of the designated population of 82,500 — in other words 74,250 compared with the present 70,000 — was reached. For Irvine, the youngest New Town, the trigger was put at 66 per cent, representing a trigger population of 63,000 compared with the present 56,400.

Mr Younger said he did not expect any New Town to reach its trigger before 1990 and that there would in any case be no winding up before that date. Further, the government would review the percentages and timings in 1989.

The Scots evidently like their New Town corporations (though there have been some criticisms of their secrecy in comparison with other local authorities) and they like the special services they provide.

The older New Towns are selling off homes to their tenants at concessionary rates: Cumbernauld now has a level of home ownership of 43 per cent and East Kilbride of 39 per cent. Livingston is also selling property.

But Glenrothes, also participating loyally in this programme, said in its 1985-86 annual report that the effect of property sales, combined with that of building restrictions, was to leave the town short of houses in which to accommodate people who wished to move there.

James Buxton

Work under way at Stewartfield, East Kilbride, Scotland's largest private housing development.

Scotland's winding-up formula—1984

	Date of designation	Designated population	Population trigger %	Population at trigger %	Present population*
East Kilbride	1947	82,500	90	74,250	70,000
Glenrothes	1948	55,000	79	43,000	38,000
Cumbernauld	1956	70,000	77	54,000	50,300
Livingston	1962	70,000	71	49,500	40,400
Irvine	1966	95,000	66	63,000	58,000

* March 1986

Source: Scottish Office

Development corporation housing at Livingston.

APPOINTMENTS

Chairman for W. A. Tyzack

W. A. TYZACK'S chairman, Mr Neville Hughes, will retire on May 1. Mr Bill Dacombe, chairman and chief executive of Rea Brothers, the company's merchant bankers, has been invited to join the board and to become non-executive chairman in succession to Mr Hughes. Mr Nigel Wheatcroft will retire at the annual meeting in December and will be invited to become president. Mr Keith Gwynne Jones, Gild's representative on the board, has resigned following Gild's disposal of its interest. Mr John Turnbull and Mr Don Stain, both senior executives, have been invited to join the board from May 1.

★

MORGAN STANLEY INTERNATIONAL has appointed Mr Michael Armitage to head its London electronics / technology research effort. He joins from James Capel and Co where he was a member of the electronics team.

★

Mr Michael R. Legat has been appointed a director of THE COPYRIGHT LICENSING AGENCY replacing Mr Peter Dickinson who has resigned for personal reasons.

★

SINTROM has appointed Mr Adnan Al-Falah as managing director, and to the board of its independent computer maintenance subsidiary Sysmatic.

★

AGRICULTURAL GENETICS COMPANY has appointed Mr Ray Spreadbury as director, seeds and business development, a new post. He was managing director of Twyford Plant Laboratories.

★

WATNEY MANN & TRUMAN BREWERS has appointed Mr L. D. McKee to the board as personnel and administration director. He joined WMTB in June 1986, after holding personnel posts at Mobil Oil Company and Leyland Cars.

★

Tower Hamlets councillor, Mr Jonathan Mathews, has joined the board of the LONDON DOCKLANDS DEVELOPMENT CORPORATION. Councillor Mathews represents Blackwall Ward on the Alliance-controlled Tower Hamlets Council and is a member of the Isle of Dogs Neighbourhood Committee. He is a tutor at the Architectural Association in London and lives to the north of the Isle of Dogs in Tower Hamlets' Docklands.

★

Mr D. H. L. Hopkinson has been appointed a director of THE WOLVERHAMPTON & DUDLEY BREWERIES.

★

Senior management changes have taken place at KAVLI, manufacturer of Primula cheese spreads and Kavli crispbreads. Mr Peter Bose has been appointed managing director Bagnall is now financial director in addition to company secretary.

★

LONDON INTERNATIONAL GROUP has appointed Mr A. P. Thomas as managing director fine china based at Worcester.

★

DATA LOGIC, a Raytheon company, has appointed Mr Richard Osborne to the board as director of its worldwide financial systems business. He joins from Aregon, where he was managing director.

★

Mr John Funnell has resigned as a director of BRINT INVESTMENTS and certain of its subsidiaries, including WestAvon, of which he was deputy chairman and joint managing director. Mr Jonathan Bradley becomes sole managing director of WestAvon.

★

Sir Kenneth Corfield, who has become chairman of Distributed Information Processing, a City-based independent micro-computer company. Sir Kenneth, former STC chairman, is partly funding DIP's expansion

★

HARLAND SIMON has appointed Mr J. P. Reynolds as sales director. He was sales manager.

★

The NATIONAL FREIGHT CONSORTIUM has appointed Mr Malcolm Ian Peacock as non-executive director, following the retirement of Mr Frank Law. In 1982 he became financial director of the Habitat/Mothercare Group and was appointed as a non-executive director of the Storehouse Group in 1986.

★

Mr Paul Lipscomb, who joined the Borthwick group in 1985 as director of business development, has been appointed a director of BORTHWICKS.

★

Mr Mick Marling has been appointed technical director of CELAB-EXEM.

★

A new innkeeper director has been appointed at USHERS

Paul Morris has taken over after serving as personnel director for the past four years.

★

Mr Louis Lawrence has been appointed chairman of Maidenhead-based contract packer, BOXALL.

★

HILLARDS has appointed Mr Robert W. Stott as a main board director with a prime responsibility for distribution. He was formerly deputy managing director of Wm Morrison Supermarkets.

★

Y. J. LOVELL (HOLDINGS) has made the following appointments from April 1. Mr Alun Rees becomes managing director of Rendell Partnership Developments at Devizes. He joined the group in 1986 as director and regional manager of the Western and Anglian regions of Rendell Partnership Developments. Mr Alan Miller, the regional manager at Altrincham, becomes a director. Holdings board director Ted Wakeham, who is managing director of both Lovell Partnership and P.R.O.B.E., becomes chairman of Rendell Partnership Developments.

★

WATERLOW PETTY BUSINESS FORMS, part of The British Printing and Communications Corporation, has strengthened its senior management team. Managing director Mr Brian Pettinger has been appointed group managing director of BPCC's Security and Printing Group and although he remains in his position at Leeds-based Waterlow Petty, the commercial director Mr Charles Mills has been appointed deputy managing director to assist in the day-to-day running of the company. He will be supported by fellow director Mr Colin Cansfield, sales director; Mr David Thompson, financial director and Mr Alan Towers, works director.

★

Mr Dennis Simmons becomes managing director of CITY & METROPOLITAN BUILDING SOCIETY in succession to Mr Geoffrey Gass, who retires at the end of March.

★

Mr Mike Pill has been appointed finance director for LEO BURNETT LONDON, and regional finance director for Europe and the Middle East.

★

EMI RECORDS (UK) has appointed Mr Roger Le Comber as its international director. He joins the international division in London after 18 years with EMI Music (South Africa), where he has held a variety of executive positions within the sales and marketing fields of the record, audio merchandising and video divisions.

★

Mr W. Ter Green has joined the board of JACK WALDER ASSOCIATES as an additional

IMI finance director

Mr Gordon Lindsay Taylor has been appointed finance director of IMI from July 1. He succeeds Mr W. Brittain, who is retiring. Mr Taylor was chief accountant.

★

SCHERING HOLDINGS has made the following appointments from April 1. Mr Terry James becomes chairman of Schering Health Care with Mr Mike Wallace appointed managing director of that company. Mr Duncan Stables succeeds Mr Wallace as finance director of Schering Holdings and Mr Stables successor as chief accountant of Schering Agrochemicals will be Mr Robert Parkes.

★

Mr Peter R. de T. Rooke has been appointed joint managing director of EXECUTIVE ACTION.

★

At CENTRAL INDEPENDENT TELEVISION, following the sale by Ladbroke of its shareholding to Carlton Communications, Mr John Jackson has resigned as a director of Central. Mr Robert Phillis, group managing director of Carlton Communications, has been appointed as a non-executive member of the board. Mr Phillis is a former managing director of Central.

★

Mr Richard Stokes has been appointed an executive director of ERA TECHNOLOGY. He is manager of the power engineering division. Dr Martin Desvaux, manager of the engineering materials division, also becomes an executive director. Mr Jack Donald is made an associate director. He is manager of the computing technology division.

★

Mr Hugh Bolland, managing director of Schroders Asia, Hong Kong, has been appointed chief executive of Schroders Australia. He is succeeded in Hong Kong by Mr Nick MacAndrew, a senior director in the corporate finance division of J. HENRY SCHRODER WAGG & CO in London.

★

FERGUSON INDUSTRIAL HOLDINGS has appointed three executive directors to the board: Mr David Deller, managing director of Harkwell Adhesive Labels; Mr John Gilbert managing director of Harkwell Cartons and other printing subsidiaries; and Mr Tony Hall, co-founder and managing director of Atlas Homes.

★

The GALLIFORD GROUP has appointed Mr John Livingston as financial director. He was financial director for William Leech. Mr Roger G. Williams, financial controller, has been promoted to group company secretary. Mr David Duckham, former British Lions and England Rugby Union player, has been appointed marketing director. He was previously director of sales and marketing with the Tern Build-

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Clore Gallery/William Packer

Turner's gift reunited

Tomorrow afternoon The Queen will give her official blessing to the Clore Gallery, the new Wing of the Tate that opens its doors to the general public next week. It has been built, with funds most generously given by the Clore Foundation, with the express purpose of providing all the works that the nation holds by the terms of the Turner Bequest — oil paintings, drawings and water-colours, finished and unfinished—with a proper and adequate home of their own at last. It may not be quite the home that Turner himself might have wished for, not even entirely suitable, but fairness forces us to admit that it offers at the very least, and not before time, a true *amende honorable*.

The history of the Bequest is, I am afraid, altogether characteristic of the British. When wearing their official Treasury hat, they seem peculiarly resistant to generosity, especially when it concerns Art. From at least the time of the Lawrence collections offered in the 1830s to the Chatsworth folios in the 1980s, the record of mean-spirited circumspection and missed opportunity is as long as *it is miserable*. But sometimes we get rather more than we bargained for and much more than we deserve. Perhaps because it seemed that Turner's fortune of some £140,000 would come along with all the work and provide for the special gallery he stipulated, on his death in 1851 the gift was accepted. But the Will was muddled, imprecise and contradictory, and hotly contested by the family who took the case through the courts and, in 1856, won most of the money back. Thus it came about that we were stuck not only with the 100 or so finished canvasses that Turner had principally in mind for exhibition, but also with 180 more that were unfinished, some 19,000 drawings and water-colours, and the problem of what to do with them all.

The National Gallery was the first institution to be charged with the duty of doing what it could to fulfil the terms of the Bequest, though always rather more in spirit than in fact. It was not until 1910, when the Duveen galleries were given to the Tate for the purpose, that anything like a proper gallery was made available to serve the Turners alone. There the bulk of the oil paintings have remained on show ever since, though the pressures of space have grown increasingly intolerable since conservation and retrieval—and the modern eye for the study and the sketch—have steadily increased the number of showable works. The Tate has always made the best of it, which over the years has been a very good job indeed. Every practical disadvantage has been overridden by the constant visible presence of Britain's greatest painter at the heart of the gallery's historical collection of British Art. For Turner now to be shown anywhere but with his peers close at hand is unthinkable.

But if the Tate is clearly the proper place for him, the awkward fact remained that he could *only* be shown *imperfectly* there, lacking a most important part. The drawings, sketchbooks and water-colours had been kept at Millbank, but removed from there comparatively unscathed after the dreadful flood of 1928 and have been in the care of the Department of Prints and Drawings of the British Museum since 1931. If the Turner Society was wrong-headed to agitate for the removal of the drawings and paintings into the hands of a new and separate institution, it was entirely right to argue for their reunion, and its energetic campaigning in the *later 1970s* certainly concentrated a few minds.

At last, by the generous intervention of the Clore Foundation, they are indeed together, the mass of drawings available upon application for supervised inspection in the Study Room, and all the paintings but for the handful away on loan or undergoing restoration, on open show in the principal or reserve galleries. The nine main galleries, one of them given over to water-colours, are all on one level, reached either by stairs from the Wing's own entrance or by *directly from* the galleries of the Tate proper. The three reserve galleries and the Study Room are above and to one side.

For the opening exhibition the Keeper, Andrew Wilton, has filled the eight galleries with *a loose chronology of paintings* which both points up the several aspects of Turner's art, its preoccupations and development and, by the judicious relation of finished to unfinished works, illuminates the nature of his practice. It is always elegantly done and often adventurous. Half of the Venice room, for example is hung with fully-worked statements — full-dress as it were in their frames — while the other half is hung with the lightest, airiest, most magical of starts and studies, all unframed. Throughout, Wilton establishes the opposition in Turner's nature between the great history painter *he most* wished to be, steeped in the work of Claude and the Dutch masters, and the inspired, intuitive Romantic, enthralled by Nature and the pure act of painting. The full sequence of galleries is enthralling simply for the work it contains, and made all the more so by the loan of seven great works from the permanent collection of the National Gallery, including *Rain, Steam and Speed*, *Ulysses deriding Polyphemus* and *The Parting of Hero and Leander*. It all looks as well as it possibly could in the circumstances: that it could have been even more spectacular is hardly Wilton's fault.

Any full critique of the architecture *qua* architecture I happily leave to my colleague, Colin Amery, but even so there are things to say. The Clore Gallery commission went to James Stirling, who currently enjoys the weightiest of international reputations. Taking upon himself full responsibility for matters inside and out, he insisted upon having the final *word on fitting out and decoration*. The advice and practical advice of the curators were made clear enough, but we live in an age when it is not the customer but the architect who is always right. Thus walls that could have been higher are not high enough and great paintings must be hung too low, lower certainly than Turner himself would have wished. Turner was known to favour a deep red against which to hang his paintings and to pitch them accordingly, and our curators would have honoured his preference. But Stirling has insisted upon a tasteful light oatmeal for his walls, unobjectionable in itself but dulling and sterile. He has only to walk up to his reserve galleries, which have been allowed a hot Indian Red for the walls and a dense hang, floor to ceiling, to see how wrong he was. As for the arch vulgarity of his entrance lobby and stairway, where he has let himself go with pink, green and purple unhindered by any immediate duty to works of art, it dates his taste precisely to the middle 1960s and exposes his judgment to serious question.

Turner's "Shipping at the Mouth of the Thames"

Michelangeli/Barbican Hall

Max Loppert

Michelangeli turned up for his Barbican recital on Saturday, as he had earlier for the two "Emperor" performances with the LSO, and as he has *on almost all the few occasions* in recent years when booked for a London concert—his reputation as one of the outstanding cancellers of music is beginning to look a trifle exaggerated, and three cheers for that. It is impossible to exaggerate our good fortune in being able to lure the great pianist here at all (seldom, admittedly, in comparison with other leading players); if there is something he *likes about playing in* London, let's pray that whatever it is continues!

Saturday's recital surpassed all expectations—high enough, in all conscience. I confess to the misfortune of generally struggling with strong attraction-repulsion sensations during the first five minutes of any Michelangeli appearance. The greeting to the audience is always so deterringly curt; and the *sound at the* keyboard, immediately recognisable, indelibly stamped with the personal print of a master, always seems so forbidding. "Aloof," "impersonal," even "glacial" are the epithets that have recurred in many Michelangeli evaluations; and, in the opening movement of the Chopin B flat *minor* sonata, they tended to be repeated by rote. (It was hereabouts that the few finger-slips *of the evening could be registered.*)

But then the particular point and character of his mastery began to take hold, and I was soon as overwhelmed as ever by the majestic sweep and purity of the playing, the blue-flame distinctness and clarity of focus, the grand disdain for *rococo gestures and audience* ingratiations. The centre of the Chopin performance was placed firmly in the Funeral March—darkly contained, with fierce outbursts, in the minor sections, hesistantly lulling (with the right hand ever so slightly dragged after the left) in the major. And it was here that reminders of exactly what constitutes great playing began to come thick and fast: virtuosity transmuted detail perfectly graced yet submitted to the larger purpose.

Michelangeli is not, never has been, one of the "*spontaneous" pianists. His readings* of the two books of Debussy *Images* have not altered a whit since he set them down on a memorable DG disc. The grave, contemplative calm of "Hommage à Rameau"; the layers of pictorial resonance and distancing effects achieved in "Mouvement" and *"Poissons d'or"*; the command of Debussyan "otherness"—all this was on Saturday as it is on record, and yet *infinitely more* thrilling, because of the quiet thrill of the sound as it reached the "live" listener, the perfect control of dynamics. The Barbican acoustics may dim the full flood of a pianist's *forte*, but the width of that dynamic range is accurately conveyed.

After the interval Michelangeli, the Ravel pianist nonpareil, played the *Valses nobles et sentimentales* and then *Gaspard de la nuit*. The first was a marvel, a delicately widening and contracting ripple of rhythmic impulses—austere, cool, limpid. The second was a miracle: merely to describe it properly requires paragraphs and pages. "Scarbo" is, of course, the virtuoso pianist's *ultima Thulè*, but never before in my experience has it been not merely conquered, but subjugated—the black menace of bass-register *tremolos, exactly measured and* calibrated, can stand as an emblem of the whole terrifyingly brilliant achievement.

Béjart Gala/Théâtre due Châtelet, Paris

Clement Crisp

All is grist to the Béjartian mill. *No theme is too large*—indeed, the larger the better—and no creator too prestigious to be subjected to the Béjart treatment. *Life, Death, Art, Love* (the capital letters are very necessary in these circumstances) join the Great Names of art and history in this choreographic ratatouille. The Ballet du Vingtième Siècle is just installed at the Châtelet —wonderful stage for dance —with a repertory which will bring Béjart's recent *Malraux, or The Metamorphosis of the Gods*, with a Beethoven score, undoubtedly to wow the Parision public. On Saturday night what I find to be the best and worst of Béjart was on view at a gala, ecstatically received, and ecstatically danced by *his* company and by some distinguished guests.

Féminin-Masculin which opened the evening is a collage of Béjart choreographies that supposedly hymn the differing potential of male and female dancing. A thumping platitude is, characteristically, handed to the audience as if it were Mosaic Law. The Liszt *Rigoletto* fantasy is played in a glittering recording to introduce Grazia Galante and Michel Gascard, and allow a chorus of women to strut and flash over the stage, some bare-foot, some on point. Then 28 chaps arrive, form a seated semi-circle, clapping *rhythmically while "traditional"* music (but traditional where?) of drums and cries urges them on to various sorts of display. Arms flail; trick-steps are flung at us. The lads wear those white harem trousers that seem specially cut to concentrate upon buttocks and other bulgy bits, and the effect is of sweat-*soaked effort and classic indiscipline.* The public adores it.

Mephisto-Walzer that follows is very odd indeed. The Liszt *Dance at the Village Inn* is played in a hyper-active orchestration, and Gil Roman appears as Mephistopheles. But is Lynne Charles, brought in on a mortuary trolley under a white sheet and not looking her best in all-over tights, supposed to be Marguerite? She behaves for the most part like an automaton. The programme note invokes Liszt, Byron, Lautréamont, Mary Shelley — who just happened to be passing *through* Béjart's imagination at the time, I suppose — and the final trick finds Roman replacing Lynne Charles as the corpse on the trolley. The relevance of it all is above my head, but the dance is Brummagem stuff.

There is also little to say about the choreography of the succeeding Greek Dance (from *Sept Danses Grecques*), but everything to admire in Fernando Bujones' account of it. Watching Bujones after the brash activities of the Béjart men, one sees how classic refinement, purity *of diction*, elegance of means, may ennoble the merest text. Bujones dances beautifully — in every sense of the word — and we are content.

Superlative dancing, too, from Richard Cragun and Eric Vu-An in one of Béjart's most cogent works, *The Song of a Wayfarer*. It feeds, of course, from the *emotional density of* Fischer-Dieskau's recording of the Mahler songs—nothing can dominate that—but the extreme concentration of Cragun's view of the Man, and the complemen*tary clarity of Vu-An's account* of the companion, reveal a vivid contrast between mature power of style and a still youthful grace. The result is infinitely touching and potent.

About *The Life and Death of a Human Marionette* I can but say that Jorge Donn appears first in the full panoply of a Kubuki actor, but is gradually relieved of these accoutrements *after some moments of* oriential *roguishness. Stripped down to* baggy pants, a pink wig and a clown's nose he is then allowed to rampage as some cloying music by *Nino* Rota wends its noxious way. He has a thoroughly bad time. The programme wisely keeps its mouth closed about this incident.

The gala ended with *Les Chaises*, an adaptation of Ionesco's play in which the protagonists are Marcia Haydee and John Neumeier. A stage littered with chairs, yet more chairs pendant from the flies. Neumeier in a black suit scuttling about the stage, joined by Haydee in a white dress in arranging and re-arranging chairs and in greeting imaginery guests. The *Tristan* liebestod rages away. Neumeier speaks some of the Ionesco text. The sense of despair generated by this absurdist Tristan and Isolde is haunting, almost tangible, and Neumeier's im*personation of a bewildered*, agonised old man is exactly matched by Haydee's beauty and by her activities which veer *between the glacially* detached and the frenetic. Good Béjart; marvellous theatre; astounding interpretations. Roars of applause.

Cleveland Quartet/Wigmore Hall

Paul Driver

The Cleveland Quartet's programme at the Wigmore Hall on Saturday night (first of two the string quartet gave there over the weekend) was simply composed of two huge masterpieces, Beethoven's Quartet in E flat Op 127, and Schubert's Quintet in C—Ralph Kirshbaum was the additional cellist in the latter.

The former did not fare particularly well. The performance was robust but rough-edged, and intonation—especially in the upper parts, and most notably at the outset of the third movement's *Presto* trio-section — lacked finesse. *The general complexion of the* sound was not unduly enticing either: it was a familiar, plummy, all-purposely expressive sound, full of vibrato and prone to become raucous when, for instance, an excess of vibrato coincided with im*perfect tuning. There was little* sense that a profound recreative attempt was being made by the quartet as it addressed itself to this sublime music, and not few expressive opportunities (the efflorescent counterpoint near the end of the Adagio) were passed over.

The last movement, however, was done with a certain rich sway—a sense of its abundance was firmly conveyed, and from the opening bars, where the first violin brought out his high-quiet G-string melody in warm tremulous phrases. The performance of the Schubert work gained palpable impetus from the presence of Ralph Kirshbaum, whose subtle articulation and beauty of tone were immediately apparent whether he was playing melodically or merely supplying pizzicato accompaniment, and who seemed to be essentially leading from the bottom. Still, rough patches remained (open*ing of the finale*) and the transcendent scope of the work was only dimly surmised. As before, the keynote was robustness, fulsomeness, and ultimately, perfunctoriness.

Level 42/Wembley Arena

Antony Thorncroft

At last the bass players of the world can shed that hang dog look. Paul McCartney never quite got over the fact that John Lennon grabbed the lead guitar, and that other famous bassist, Sting, was always more of a movie actor than a musician. Now Mark King of Level 42 has proved that the bass player can be the star. A small man with a large instrument he held Wembley in thrall on Sunday night with the ease of a Mussolini.

The Level 42 story, *in the* official version, can be quickly told. Four youngish men, mainly from the Isle of Wight, are into British funk: too committed to musicianship to bother with hit records: had their arms twisted, and came up last year with "Lessons in Love": a smash. They are not much liked by critics, mainly because *of* their audience—youngish suburbanites who have not yet learned to worship sharp clothes and whose idea of a wild time is to blow whistles and to yodel in that irritatingly oikish way. But if the Level 42 fans are gauche the band is as smooth as Irish Coffee.

Perhaps too much so. Having discovered pop they are presenting the archetypal rock show, *opening with flares*, raking the audience with spotlights, emitting dry ice at the feet of the saxophonist as he takes his first solo, peppering the stage with a rainbow of colours, and generally dazzling the senses. Not everything is stereotyped—the band still wears dark suits and Mark King's only tilt towards loucheness is to remove his jacket half way through the set.

They began with an old hit, "The Chinese Way," and ended with "Lesson in Love," by which time the keyboards player Mike Lindup was dancing around the stage like a decapitated chicken and the audience was in the last stages of delirium. Then on to encores. Level 42 have learned fast. Their music may still be meticulously *fashioned* rather than easily melodic, and their stage show owes everything to the back-up crew. But in Mark King, cheerfully abusing the fans into screaming out the choruses while playing the best slap bass guitar heard in years, they have the front man to ensure global *victory*.

Caballé/Covent Garden

David Murray

Montserrat Caballé appeared for her recital on Sunday in two resplendent gowns, and with Miguel Zanetti at the piano. As is her wont, she reached her full vocal stride only some way through the evening — but the Royal Opera does offer a discouragingly dry acoustic for singers, and she had chosen to forgo even the backing screens that other recitalists there have used as defence. One hoped yet again that among the debates about what the rebuilt house ought and oughtn't to include, someone is insisting upon voice-friendly alterations in the *auditorium itself. (My suspicions* linger upon Beaton's plush.)

It was enterprising but also puzzling that Miss Caballé should devote most of her first half to arias — relentlessly *da capo* — from a deeply forgotten opera, Vivaldi's *L'Olimpiade*. The explanation was revealed later, with shy heaves of delight: Barcelona and the Olympics, yes? Nevertheless her *line had remained only* an elegant sketch through the first few arias, with random touches of colour (and no attempt—or no more than Vivaldi made—to distinguish the prescribed emotions except in the most general way). Zanetti, always gallant, pretended to be sight-reading.

The last three Vivaldi numbers got closer attention, and more voice—which seemed to leave less for Spontini. That was a pity, for in "Toi, que je laisse" Caballé went some way toward capturing the noble simplicity (albeit in lamentable *French) which Berlioz admired* in *La Vestale*, and in an aria from one of Spontini's German operas *Nurmahal* a Handelian note of formal but stressful despair.

After the interval the familiar, irresistible Caballé tones and shadings were on full dis*play. In Ravel's three Jewish* settings there was lovely sound as well as feeling, though a specific Hebraic astringency that Ravel recognised is outside the Caballé range (the *Kaddisch* was expansively relaxed, devout in an ecumenical sort of way). She made *Recuerdos de juventud*, a new song-set composed for her by Martinez Palomo, altogether charming, and some Obradors songs — same all-purpose Spanish idiom but better focused—more taking still. The recital melted amiably into encores and near-cabaret, which Caballé loves doing. There ought to be a whole repertoire to accommodate what popular "classical" artists like her do *unbuttonedly well; it is remiss* of our century not to have provided one. In particular, the *zarzuela* should have grown up to make room for the likes of Carreras and Miss Caballé, instead of leaving them to forage in the French and Italian past.

Fujian Hand Puppets/Roundhouse

Claire Armitstead

With placard-toting pickets proclaiming "the Roundhouse exploits black people," the signals were confusing to the average punter out for an afternoon to watch the much-*publicised Fujian Hand Puppet* Company in what has long been designated a national centre for black arts. The carnival atmosphere inside the former Victorian engine shed in Chalk Farm was given a whiff of political reality by the clanking of collection boxes for "the Roundhouse four" — *four* workers sacked from the centre earlier this year amid allegations of mismanagement and harassment.

All of which, we were assured in handouts from the protestors, had nothing to do with Arts Worldwide, the organisation responsible for transforming the empty Roundhouse shell into a bustling Chinese street market for four days—at its heart the marquee which housed the Fujian puppets. If it seems a little ironic that a building with a potential unique in London for staging large scale spectacular work should reopen with an art form that is just the reverse, this festival made the best of the situation, inviting Chinese artists from all over Britain to contribute sideshows on a stage to one side of the marquee, while around them vendors touted wares that ranged from Chinese parasols printed with Walt Disney cartoons, to cheap imitation hand puppets.

Thankfully, the puppeteers themselves produced a show of such exquisite craftsmanship as to banish the cheap, cheerful and acoustically inadequate atmosphere that surrounded them. Their leader, Yang Feng, is the fifth generation of a puppeteer dynasty, who gave his first performance at 11, and has since devoted himself to spreading the good name of his company abroad, training others up in the art and developing the repertoire to keep pace with the *subtle political shifts of post*-cultural revolutionary China. The revolutionary operas of the 1970s have now given way to a more traditional repertory, the centrepiece of which is the *Da Ming Fu*. This is a fragment from *Tales of the Marshes*, by Ming dynasty writer Shiu Nai-an, which *tells of a ruse by* peasant rebels to rescue a comrade who is about to be beheaded. To do it, they trick the city gate-keeper by posing as a troupe of itinerant acrobats: the cue for an impressive display of manual virtuosity in which the lavishly dressed puppet acrobats fight, juggle, perform ribbon and lion dances, while the gate keeper is poured wine from a minute pot and smokes a tiny pipe (the liquid and the smoke are real).

The fine detail in which the puppeteers work, and the fact that they had to be partitioned off from a largely commercial market, seemed merely affirmation that this is not what the Roundhouse should be used for. It is a pity that *this marvellous* space should be so long unexploited.

1987 Reith Lecturer

Composer Alexander Goehr will give the 1987 BBC Reith Lectures, six half-hour talks which start on Radio 4 in November. He is the 40th Reith Lecturer and this is the first time music has been the subject.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 27–April 2

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: This week sees the premiere of the first opera by the Finnish composer Aulis Sallinen to be given in Britain – The King Goes Forth to France. The conductor (as at the world premiere in Savonlinna) is Okko Kamu, the producer is Nicholas Hytner, and the cast includes Mikael Melbye, Stafford Dean, Sarah Walker and Valerie Masterson. (240 1066).

English National Opera, Coliseum: David Alden, remembered in Lonon for the notorious "blow-torch" ENO production of Mazeppa, returns to the house for the new Simon Boccanegra, with Jonathan Summers in the title Role and Janice Cairns as Amelia-Maria; Mark Elder conducts. Also in repertory: Jonathan Miller's updated Tosca, one of his least successful ENO stagings, with Phyllis Cannan; and another, much jollier Miller updating, the non-Japanese Mikado (836 3161).

Camden Festival: This year's Camden Festival has as one of its most important and valuable presentations the long-delayed British premiere of Kurt Weill's Silbersee, with Kate Flowers, Meriel Dickinson and Nigel Robson, producer John Eaton. Bloomsbury Theatre, W.C. 1.

PARIS

Bellini's I Puritani: The Welsh National Opera's production sets the romantic action *against* a background of fortifications, and towers which evoke the feeling of danger, thus making Elvira's folly credible. Opéra Comique (42960611)

Don Carlo alternates with Verdi's Messa da Requiem conducted by Georges Prêtre at the Paris Opéra (4266 5022).

Ballet Moiseiev celebrates its 50th anniversary with a suite of traditional Russian dances, with Partisan Fighters, A Day on a Boat and a Winter Celebration at the Palais des Congres (4742 0744).

Maurice Bejart's XXth century ballet: Trois Etudes pour Alexandre, a world premiere with Fernando Bujones, Le Baiser de la Fée with Eric Vu An at the TMP-Châtelet (4233 4444).

WEST GERMANY

Berlin, Deutsche Oper: The week features the premiere of Busoni's Doktor Faust, a joint project between Berlin and English National Opera, conducted by Christof Prick in David Pountney's production with Lucy Peacock, Gunter Reich, Kenneth Riegel and Ryszard Karczykowski, joining in repertory Ariadne auf Naxos conducted by Heinrich Hollreiser in Rudolf Sellner's production with Ute Walther, Celina Lindsley, James King and Gerd Feldhoff; and Cosi fan tutte conducted by Jesus Lopez Cobos in Götz Friedrich's production with Carol Malone, Angela Denning, Keith Levis and Lenus Carlson.

Hamburg, Staatsoper: Elektra has a particularly strong cast with Helga Dernesch, Gwyneth Jones, Judith Beckmann and Hans Sotin. Manon Lescaut, sung in Italian, stars Natalia Troitskaya, Rachel Joselson, Franz Grundheber and Franco Bonisolli. Parsifal has fine interpretations by Waltraut Meier, Carlos Krause, Peter Hofmann and Kurt Moll. Die Verkaufte Braut rounds off the week.

Cologne, Opera: La Bohème brings Yoko Watanabe, Juan Lloveras, Ludwig Baumann and Francisco Vergara together. Tannhäuser is an event of more than passing interest with Nadine Secunde, Wolfgang Brendel, Klaus Konig and Mathias Holle. Der Barbier von Sevilla is a well done repertoire performance.

Frankfurt, Opera: Ein Maskenball takes the leads Ellen Shade, Toniel Gonzaga, Giorgio Zancanaro and Nan Christie. Götterdämmerung, produced by Ruth Berghaus, one of the brightest Frankfurt successes of recent seasons, has Katarina Ligendza, June Card, William Cochran and Manfred Schenk in the main parts. Also Orpheus in der Unterwelt.

Munich, Bayerische Staatsoper: This week's premiere, Götterdämmerung, completes the new Ring produced by Nikolaus Lehnhoff and conducted by Wolfgang Sawallisch. The main parts are sung by Hildegard Behrens, Lisbeth Balslev, Brigitte Fassbaender, Rene Kollo and Martti Salminen. *Also Das Rheingold* with Marjana Lipovsek, Nadine Secunde, Hanna Schwarz and Kurt Moll and Die Walküre with Cheryl Studer, Hildegard Behrens, Robert Schunk and Kurt Moll. La Bohème closes this week.

ITALY

Rome, Teatro dell'Opera: Revival of Luchino Visconti's 1965 production of Don Carlo (with the original sets and costumes) directed by Alberto Fassini and conducted by Gustav Kuhn. Luis Lima sings the part of Don Carlo, Renato Bruson, Rodrigo, Margarita Castro Alberty that of Elisabetta de Valois, and Nicola Ghiuselev alternates with Roberto Scandiucci in the part of Filippo II. (46 17 55).

Milan, Teatro alla Scala: Un Ballo in Maschera conducted by Gianandrea Gavazzeni and directed by Sandro Sequi with scenery and costumes by Giuseppe Crisolini Malatesta (Florence Teatro Communale Production), with Fiorenza, Cossotto, Nuccia Focile and Aldo Bramante; four ballets: Frankenstein: The Modern Prometheus with choreography by Wayne Eagling, who dances with Oriella Dorella; Lulu, choreography by John Butler, danced by Carla Fracci, Gheorghe Iancu, and Ornella Cotalonga; Leda and the Swan by Bejart, danced by Luciana Savignano and Jorge Donn and Symphony in D by Balanchine. The conductor is Michel Sasson. (80 91 26).

Bologna, Teatro Communale: Elisir d'Amore' conducted by Donato Renzetti and directed by Luciano Alberti, who also designed the scenery *and costumes*. The cast includes Silvano Carroli, Alida Ferrarini, Luciano Pavarotti and Leo Nucci. (52 99 99).

Venice, Theatro la Fenice: La Bohème by Puccini in a new production by Piero Faggioni conducted by Emil Tchakarov, with Renata Scotto, Raina Kabaivanska, Elena Zilio, José Carreras and Leo Nucci (71 01 61).

Trieste, Teatro Communale Giuseppe Verdi: Una Lettera d'Amore di Lord Byron – One-act opera with Libretto by Tennessee Williams, translated into Italian by Paola Ojetti – directed by Gianfranco Ventura and conducted by Spiros Argiris. The cast includes Bruna Baglioni, Laura Zannini and Pierfrancesco Poli. Also, the ballet Il Carillon Magico with music by Riccardo Pick-Mangiagalli and choreography by Tuccio Rigano (63 19 48).

Rome, Teatro Olimpico (Piazza Gentile da Fabriano): Salieri's two-act opera La Grotta di Trofonio directed by Sandro Sequi with Mariella Devia, Amelia Felle, Claudio Desderi and Ezio di Cesare with scenery and costumes by Giuseppe Crisolini Malatesta, conducted by Franco Petracchi (39 35 04).

NETHERLANDS

Amsterdam, Muziektheater. Premiere of the Netherlands Opera production of Busoni's Doctor Faust directed by Franz Marijnen. The Netherlands Philharmonic conducted by Lucas Vis, with Victor Braun as Faust, Mario Brell as Mephistopheles, and Mary Jane Johnson as the Duccess of Parma (Thur). (255 455).

Utrecht, Schouwburg. The Netherlands Opera touring company with the Barber of Seville directed and designed by Dario Fo, the Nether*lands Philharmonic conducted* by Stephen Barlow. Louise Winter (Rosina), Yoshihisa Yamaji (Almaviva) and David Malis (Figaro). (Tue). (31 02 41).

Opera Forum with La Traviata directed by Rudolf Sauser and conducted by August Haltmayer, with Franz-Josef Kapellmann and Hélène Versloot; Tue in Nijmegen, Schouwburg (22 11 00); Thur in Groningen, Schouwburg (12 56 45).

NEW YORK

Metropolitan Opera (Opera House): The week *features the first seasonal* performance of Samson et Dalila conducted by Jean Fournet in Nathaniel Merrill's production with Marilyn Horn, Jon Vickers and Terry Cook, joining Dialogue of the Carmelites conducted by Manuel Rosenthal in John Dexter's production with Maria Ewing, Jessye Norman, Florence Quivar and James Courtney; and Turandot conducted by James Levine in Franco Zeffirelli's production with Eva Marton, Placido Domingo *and John Macurdy* (362 6000).

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Tuesday March 31 1987

Open markets in telecoms

IN A FEW weeks' time the French Government will take a decision which will either reinforce national barriers in an important industry or point the way towards a more open European market. The ostensible issue is whether CGCT, the weaker of the *country's two state-owned suppliers* of telephone exchanges, should seek an alliance with Siemens of Germany, American Telephone and Telegraph (AT & T) of the US, or—just possibly, as a compromise choice—Ericsson of Sweden. What matters is not so much the identity of the winner as the need to use whatever agreement is reached as a lever to prise open Europe's closed telecommunications *markets*.

Traditionally, Europe's principal telecommunications authorities, such as the Bundespost in Germany, the Post Office in Britain and the DGT in France, have bought main telephone exchanges from national suppliers. The result is that none of the manufacturers has enjoyed economies of scale; costs per line to subscribers are *far* higher than they need to be. British Telecom, successor to the Post Office, broke with tradition when it chose Ericsson to supply the so-called System Y *exchange in competition* with System X produced by Plessey and GEC. But the German market remains the preserve of Siemens and the ITT subsidiary which is now owned by CGE of France; in France DGT splits its orders between CGE (currently 86 per cent) and CGCT (14 per cent).

Marginal player

One of the dangers in the long wrangle over CGCT is that, if the French Government decides to bestow its favours on Siemens, this will be seen as a *quid pro quo* for CGE's newly secured presence in the German market; the cosy duopoly *may* continue in both countries, with no intruders allowed. It was this possibility which led the US authorities to threaten retaliation against Siemens in the American market.

Clearly domestic politics will influence the outcome. CGE is about to be privatised; the government will be anxious not to damage its prospects. Similarly, in a pre-election period the authorities will want to show that CGCT will be secure and prosperous with its new partner—even though it is one of the *most marginal* players in the industry. In the longer run there are indications that the DGT, perhaps envious of British Telecom's commercial freedom, will insist on *choosing* the equipment that best suits its needs—even from outside the duopoly.

If Siemens is the chosen partner, it should be conditional on more open markets in both France and Germany. There should be no guarantee that CGCT will retain its share of the French market for the indefinite future.

It might be argued that the entry *of AT&T will be better* for Europe; as a newcomer with no established position to protect, it has an obvious interest in freer competition. There is no ground for discriminating against AT&T on grounds of European solidarity: in any case its links with Philips of the Netherlands provide useful European credentials. But AT&T may not provide the same opportunity for influencing events in Germany, which has the largest market and, in the Bundespost, the most defensive and conservative telecommunications authority.

Under pressure

A unified European market cannot emerge without a change of attitude in Germany. Fortunately, the Bundespost is coming under pressure at home; a government-appointed commission, due to report in the summer, is expected to recommend substantial deregulation and perhaps even the establishment of rival network operators.

A reduction in the monolithic power of the Bundespost and similar bodies in other countries is a necessary condition for the emergence of the new, Europewide telecommunications services which modern technology makes possible. Other moves are also needed, notably the development of standards to facilitate links between the different national networks.

The handling of the CGCT sale has been a classic example of how not to take industrial decisions. The onus is on the Chirac Government to use the resolutions of the affair as an opportunity to move towards more open markets.

Pouring oil on Aegean waters

MR KARAMANLIS, the former Greek Prime Minister and President, once said there were only three ways of solving Greek-Turkish conflicts: negotiation, arbitration or war. Ankara and Athens last weekend wisely rejected the third of these options after coming closer to a military clash than they have for many years.

If they had converted their sabre-rattling into military action, the ensuing conflict would merely have exacerbated their long-standing disputes, rather than solved them. It is hardly likely that their Nato partners—least of all the US—would have stood idly by to watch the alliance being torn apart in such a sensitive area as the eastern Mediterranean.

Having apparently decided that a conclusive military conflict was out of the question, the Greeks and Turks are faced *once* again with a choice between negotiation arbitration, and mediation as the only reasonable alternatives. They could, it is true, continue on their previous path of mutual threats, punctuated by minor, if dangerous, physical clashes on their common frontier, the sea or in Aegean airspace. It is to be hoped, however, that the latest incident will act as a catalyst for more constructive action.

Direct negotiations between the two sides do not have a very happy history. They have come to grief not so much because of disagreements about legal issues but because of the fundamental distrust and hostility engendered by a host of serious political disputes.

Tough stance

One of the most promising developments was the Berne Agreement of 1976, under which each side undertook to refrain from any controversial action pertaining to the Aegean continental shelf, pending the outcome of negotiations on the subject. The first phase of these negotiations came to an end in 1978 without any agreement, but talks were continued between high officials for another three years on a range of problems dividing the two countries.

Each side blamed the other for their eventual breakdown in 1981, the year Mr Andreas Papandreou, the present Greek Prime Minister, came to power and started adopting a particularly tough public stance towards Turkey. While it is fruitless to apportion blame, it is clear that the talks broke down because the political *environment in which they* were held had deteriorated to a point at which rational negotiations were no longer possible.

If the atmosphere is still as bad today it is because none of the major political disputes between Greece and Turkey are any nearer to a solution. A Cyprus settlement remains as unattainable as ever, in spite of the mediation efforts of Mr *Perez de Cuellar*, the UN Secretary-General.

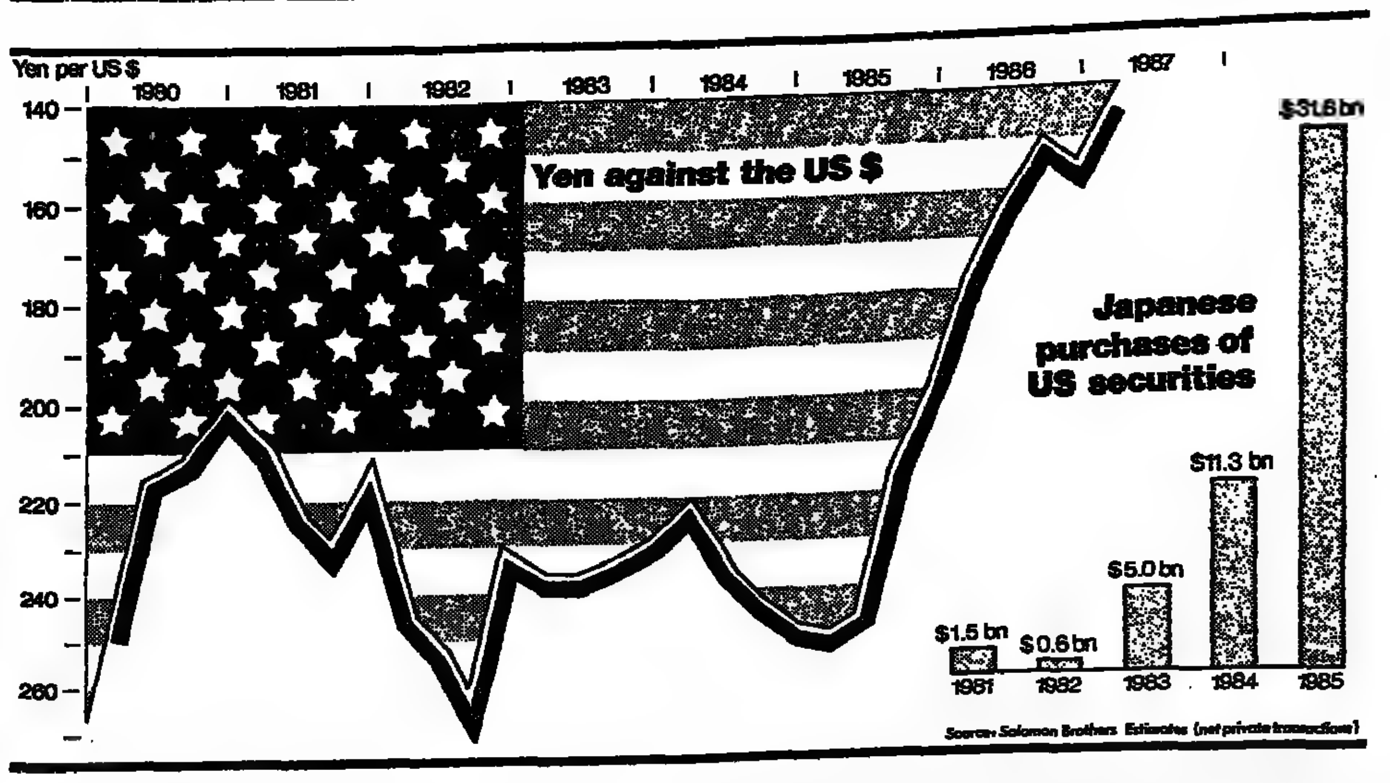
Nato alternative

Mr Karamanlis's other option —arbitration—has also proved to be a dead-end since Turkey has refused to accept the legal basis on which Greece has proposed submitting the continental *shelf* dispute to the International Court in the Hague. Mediation, however, still remains a possible avenue. Without detracting in any way from Mr Perez de Cuellar's undoubted qualities as a mediator, a fresh approach to Greek-Turkish problems by an internationally respected elder statesman could possibly help to untie the Gordian knot.

If Greece and Turkey were partners inside the European Community, a desirable long-term objective whatever the present obstacles to its early realisation, the framework for mediation would be clear. In its absence, Nato, of which both Greece and Turkey are important members, is an obvious alternative.

Mr Papandreou is wrong to reject the "*good offices*" *offer* by Lord Carrington, the Nato Secretary-General, and should think again. The former British Foreign Secretary is a past master in solving intractable political problems, as he proved in the Rhodesian affair. He should at least be given the opportunity to try to resolve a dispute affecting the western Alliance as a whole.

In Tokyo, Washington and London, there is talk of trade war. Ian Rodger takes the temperature in Japan . . .



Nakasone in reverse

ONCE AGAIN, Japan has succeeded in getting almost the entire world angry at it for its allegedly inequitable trade practices.

But this time, attitudes seem to be hardening to a dangerous extent on all sides, making the outcome less certain than on similar occasions in the past.

In newly prosperous Japan, there is impatience with foreigners' complaints, and an unusual amount of bluster from the government about "appropriate" retaliatory measures.

Also, the Japanese government itself is in an unusually fragile state. It faces startlingly strong opposition at home to some of its recent economic reform proposals and thus may be unable to apply as much pressure on entrenched opposition to open markets as it has on similar occasions in the past.

On the other side, both the US and the UK have chosen to threaten punitive action beyond the sector in which they are in dispute. This tactic is considered dangerous in trade negotiations, because it can lead rapidly to escalation.

In the US case, alleged *Japanese infringements of* an agreement on semiconductors may bring retaliation across a wide range of electronic products. The UK is threatening retaliation in banking and airlines for a Japanese action in telecommunications.

In the end, Japan, with its large dependence on foreign trade and on the US for its security, has little means of opposing its allies' demands that it continue to improve its trading behaviour. But the trade outlook seems disconcertingly unpredictable.

The latest storm has blown up remarkably quickly.

- On Friday, the US announced its intention to impose next month punitive 100 per cent tariffs on a series of Japanese electronic products. *This* reflects frustration with Japan's alleged failure to implement a six-month-old bilateral agreement on semiconductor trade.
- The UK's grievance concerns *the* Japanese Government's attempt to prevent Cable & Wireless from taking a significant position in a new Japanese international telecommunications venture.
- Yesterday, Mr Herman de Croo, chairman of the European Community's Council of Ministers, began three days of trade talks in Tokyo. Booming Japanese car exports to Europe are high on the agenda, along with access to the Japanese market.

The Japanese Government's response has been to pull together yet another package of *measures aimed at further* opening its markets to foreigners. In the past couple of days, there have been indications that the Government will buy supercomputers from the US and accelerate measures designed to stimulate the domestic economy and draw in imports.

The problem is that similar actions in the past have not *made much difference*. Japan's trade surplus last year reached a record $83bn, nearly double the 1985 level. Despite the sharp increase in the value of the yen, import volume rose only 12.5 per cent, and a good chunk of that was non-monetary gold imported by the Government to try and prevent the trade figures from looking worse still. Export volumes dropped only 1.2 per cent.

The simple explanation is that the Japanese are like every other people — set in their ways, and reluctant to change until absolutely forced to. Japanese leaders in both the public and private sectors *know that the old*, protectionist patterns established and honed in a period when Japan was a weak developing country—cannot continue now that it accounts for more than a tenth of the world's output.

But they resist change as long as possible — for example, they defend controlled interest rates and big tax incentives for savings, which remain famously high: the average household in Japan saved 16 per cent of its disposable income in 1984, more than double the average US household rate of 6.2 per cent.

That means banks have a *large supply of cheap money* and pressure their industrial customers to borrow and build. Industrialists, in turn, still demand that their salesmen reach ever higher sales targets. Buying Japanese goods re-inforces the process.

The semiconductor industry, one of the objects of current US wrath, is an excellent example of these patterns. Having identified the chip sector as strategic, the leading Japanese electronics companies invested excessively in capacity, and then carried their inevitably ferocious price war with each other all over the world, knocking out foreign, mainly US competitors in the process.

The US government eventually lost patience and, after threatening anti-dumping duties on chip imports, won agreement in September from the Japanese industry last summer to sell around the world at fair market prices and to help US producers sell in the Japanese market.

Six months later, US chip makers are still complaining—and producing evidence—that the Japanese are selling at unrealistically low prices in third markets.

Japanese officials blame the fact that the pact came into effect at the same time as a sharp slump in the market. Thus, there has been excess supply, creating opportunities for grey market operators to buy Japanese chips in Japan at low prices and sell them in third markets at lower prices than the Japanese producers' controlled prices.

Interestingly, there is now a growing split between the Ministry of International Trade and Industry (MITI) and the semiconductor industry on the handling of the dispute. Some industry leaders, who resent the loss of sales caused by production quotas and imposed price increases, feel they would have been better off with the US anti-dumping duties than the chip pact.

As in semi-conductors, Japanese leaders can point to several changes that have been made *in* the country's trade practices in response to foreign complaints and, more recently, *in* response to the pressure of the high yen. Tariffs have been lowered, non-tariff barriers removed and various market opening measures applied.

The industries that affect the trade balance are cars, machinery and electronics. Motor vehicles alone account for 30 per cent of the country's exports. Japanese motor industry leaders like to point to the 40 per cent increase in unit car imports last year, especially from Europe, but the growth is from a tiny base. The value of motor vehicle exports last year was 38 times greater than that of motor vehicle imports. Similarly discordant trade trends can be found in machinery (19 per cent of exports) and electronics 16 per cent.

It is true that these industries have been moving rapidly *to build manufacturing capacity* overseas, but so far there is little evidence that they have grasped the necessary corollary to those moves; that is, the contraction of manufacturing activity in Japan.

For example, by 1990, Japan will have capacity in the US to make 2m cars a year. But some industry leaders seem to think that they will be able to continue exporting 2.3m cars a year to the US as well.

"If you make that simple calculation, we appear to have a big problem," a senior Toyota official said recently. "But if we can develop the kind of cars appreciated by customers, then we can increase the size of the US market."

Many industrialists also thought, until recent weeks at least, that they could still beat the high yen. Manufacturers who were complaining bitterly early last year that they could not live with the yen as high as Y180 a dollar, were beginning to suggest towards the end of the year that they could adjust to the then prevailing level of Y160 to the dollar.

To the money markets, that was equivalent to admitting that they would continue to export aggressively. And that, as much as anything, explains the continuing pressure on the yen so far this year. Many analysts in Tokyo are predicting that the yen will keep rising until it forces fundamental change in trading behaviour.

Meanwhile, the Government seems to be losing its power to push through reforms that would encourage industry to focus its attention more on domestic markets and less on exports. A tax reform package which includes proposals to stimulate consumer spending and remove some taxes that discriminate against imports *has encountered strong public* opposition, dividing the ruling Liberal Democratic Party and sending Mr Nakasone's popularity to a new low of 28.9 per cent, according to a poll published last week. As a result, he is looking more and more like a lame duck, and his hopes of a further extension in office when his current term expires in the autumn seem all but dashed.

The effect of these reverses appears to be showing up in the bitter dispute over the establishment of a new international telecoms company in Japan. The Ministry of Posts and Telecommunications (MPT), which has been accustomed to dealing with only domestic companies, is resisting any significant opening up of the industry to foreign participation, despite new legislation *inviting such participation*. The MPT's attitude has enraged both the British and US governments, as both US and UK companies have attempted to take up the invitation. Strongly worded letters have been sent to the MPT by top US officials and to Mr Nakasone by Mrs Margaret Thatcher.

This is the *sort of case* in which Mr Nakasone's leadership has often made a difference in the past. Last summer, for example, his intervention pushed MITI into agreeing against its will to some of the more strident US demands in *the semiconductor negotiations*. But until last Friday, he had steered well clear of the Telecoms problem. And even then, he only requested the MPT to settle the problem before it became too entangled.

Others too are making more strident noises, including MITI, which is threatening to take the US to Gatt and to repudiate the chip agreement. Admittedly, *those* are *not very frightening* threats, but the US and the UK have pointed the way to enlarging the areas for retaliatory action, and the Japanese, lacking a strong leader, just might be swept up in the trend.

Britain brandishes the rule book

THE BRITISH Government faces a difficult task in deciding how to respond to growing public clamour for retaliation against Japan in the wake of its refusal to grant Cable & Wireless a significant stake in the opening of its telecommunications market.

On Thursday the Cabinet *is due to examine* a range of options being prepared by the Department of Trade and Industry, but it is already clear that its room for action is circumscribed both by *Britain's* traditional policy of refusing to act "illegally" in trade matters and by official reluctance to use the obvious weapon of retaliation against Japanese financial institutions *in the* City.

Yet the head of steam that has developed in the Commons over the past week with the active encouragement of Mr Alan Clark, Trade Minister, means that the Government risks being heist on a political petard partly of its own making if it comes up with measures that fail to satisfy public opinion.

The review of possible action against Japan was commissioned some time ago by Mr Paul Channon, Secretary of State for Trade and Industry, as part of a general effort to force the Nakasone *Administration to open* its market to British goods. But it has gained fresh significance in the wake of the Cable & Wireless episode and that is where the problems begin.

In terms of international trade law as set out in the Gatt, the Government has a weak case for claiming that *Japan must open its telecommunications* market to foreign participants. There is no general precedent for requiring this

Moreover, problems of a legal and a practical nature surface as soon as practical measures are considered. Procedural barriers to trade, such as requiring imported video-cassette recorders to clear customs at an out-of-the-way place like Milton Keynes, are also strictly illegal under Gatt, and would probably upset the European Commission in Brussels as well.

In any case the Government has also to weigh the risk that making life harder for Japanese exporters could discourage them from using the UK as a manufacturing base for the EEC.

Meanwhile the new Financial Services Act empowers the Government to require reciprocal access in home financial markets from foreign banking institutions that set up in the City, but use of this act for the purpose of retaliation in other areas would be legally doubtful and could tarnish the City's appeal as an international banking centre.

Peter Montagnon

Men and Matters

Goodman's private plans

Harry Goodman is clearly set on becoming the Freddie Laker of the 1990s. The flamboyant chairman of the International Leisure Group, yesterday announced plans — along with the senior management team—to buy out the company. His reason is the need to stay private while his Air Europe operation expands from a fleet of six to 27 aircraft by 1990. "The City takes too short a term view of such things," Goodman tells me, "so we need to expand in private."

Goodman, 47, will undoubtedly go into the airline business with his eyes open since he and Laker had a close business relationship until the latter's fall from grace in the early 1980s.

In 1979, *for* example, Goodman's Intasun travel operation linked up with Laker to provide the cheapest flights to Miami at a time when the boom in British tourists to Florida was just taking off. It was a big success for Goodman. He says: "Laker got all the kudos and we got all the passengers."

Laker in fact, turned to Goorman in the final stages of his airline's collapse to seek help in keeping the company afloat. Goorman, unable to find the funds, still managed to snap up Laker's package holiday business to Spain.

Goodman has been one of the more ebullient characters in a British travel industry not noted for shy wallflowers. It is hardly surprising that the lively Club 18-30 operation is an ILG operation.

He left school at 15, was turned down for a job by Thomas Cook because of his lack of O-levels, and started in the traditional small way, working for a travel agency in Kent. His big break came when Clarksons folded in the early 1970s, alerting his entrepreneurial flair to meet demand of disgruntled holidaymakers.

His main operating company, Intasun, has capitalised on the mid-1980s desire by many Britons to spend their holidays in the sun and is now the second largest package tour *operator behind the giant* Thomson Travel group.

Even so, a recent survey by Holiday Which? magazine found that Intasun and its related travel operators were the travel companies most disliked by the Consumers' Association's up-market membership.

Goodman insists that he has lost none of his motivational and entrepreneurial flair. But in his bid to do a Laker he feels the City may not be his best ally.

Wickins' way

Yesterday's announcement of an agreed merger between Michael Ashcroft's Hawley Group and David Wickins' British Car Auctions has surprised a few people who thought that the two had fallen out irreparably last year. But one source close to the scene said yesterday that as far as Wickins was concerned "it was *not like losing a son*, more like gaining a son-in-law."

"I am certainly not in the mood to retire," said 67-year-old Wickins yesterday. He has, however, been restless since BCA settled down to a single-stream of business activity and is keen to apply his skills in building up a few stakes in small companies that will come good in time — what he calls his "nursery."

The play school is now lacking in pupils apart from the very grown up First Security Group. Under the arrangement with Hawley, Wickins will have access to $100m without the need to go to shareholders for approval, or the fear that some US predator will sweep in and snatch the baby and the bath water. Not bad for a business that started just after the Second World War with £460 of capital.

"Why is she worried about the election—are there other parties?"

Food for thought

Paul Bocuse, one of France's leading chefs, has created a new dish to celebrate the first year of power sharing in the country between a Socialist President and a conservative Prime Minister.

Called "Quails Elysée-Matignon" after the respective official residences of President Mitterrand and Prime Minister Chirac, the dish requires one of the quails to be stuffed with foie-gras (a speciality of south-west France where Mitterrand has his country home) while the other is stuffed with black truffles (celebrating the Correze region where *Chirac* is a deputy).

Bocuse says that the two quails can either be laid "side by side, back to back, or head to head" but that the quail stuffed with foie gras should be placed on the left of the plate. Sauce from the Elysée quail should then be poured on the Matignon quail and vice-versa.

The dish is being added to the menu of Bocuse's Lyon restaurant and will live longer, says the chef, than the political cohabitation it marks.

Fruitful economy

Albania, condemning Gorbachev's economic reforms as "*capitalistic*," *strides a lone* Stalinist path still towards the promise of plenty.

The ministry of agriculture has just held a national meeting, attended by the Prime Minister and other members of the Politburo, on olives.

The opening report praised the party's devotion to olives, especially that shown by the country's late leader, Enver Hoxha. Under his guidance, it was said, the number of olive trees multiplied 3.7 times, and those bearing fruit 2.4 times.

On the hop

Texan corporate raider, T. Boone Pickens, is being credited as the author of this story doing the rounds in Washington.

A group of ladies met a frog which claimed to be a Texan oil millionaire under a magic spell and pleaded to be kissed. One lady promptly seized the frog, *but instead of* kissing it, she popped it into her handbag.

Why, asked the others, hadn't she just kissed the frog as it had begged? "Because," she replied shrewdly, "a talking frog is worth more *than a* Texan oil millionaire."

Observer

... and Lionel Barber examines the balance of power between Capitol Hill protectionists and those urging a calmer response

An accident just waiting to happen

"STAND UP for America," declares the prime-time television advertising campaign launched by the United Auto Workers union. "Require foreign nations to reduce their trade surpluses."

From Capitol Hill to the Commerce Department in Washington, through Buick in the state of Michigan to the semiconductor manufacturers in California, lawmakers, workers and industrialists are joining a chorus of complaint about the flood of imports into the US and what they term unfair trade practices by America's competitors.

Last Friday, President Ronald Reagan, tacitly bowing to the trend, accepted the recommendations of his closest economic advisers and decided to double the import price of a wide range of Japanese electronic goods—the first time the US has taken unilateral trade action against Japan since the Second World War.

The US action was taken under section 301 of the 1984 Trade Act which mandates the President to take "all appropriate and feasible action" to protect US trade interests. What made last week's action different from previous applications of section 301 was that it was an attempt by the Administration to enforce a trade pact which in itself was of doubtful legality under Gatt.

To some, singling out the Japanese marks a new departure by the Administration, a willingness to risk tit-for-tat retaliation which could rapidly escalate into a trade war. Others interpret the proposed penalties as part of a policy of containment: a short, sharp shock aimed at convincing Tokyo that it must reduce its $58bn merchandise trade surplus, because this time protectionist pressure in the US is for real.

One of the most accurate barometers of this pressure is the US Congress.

A significant shift came 10 days ago when the US Senate unanimously called on the President to retaliate against Japan's efforts to keep foreign companies out of its telecommunications market. Indeed, so strong is the present anti-Japanese sentiment that it is considered impolitic for Mr Yasuhiro Nakasone, the Japanese Prime Minister, to press his wish to address Congress during his visit to Washington next month.

The raw trade figures explain a good deal of this antagonism. In the six years since President Reagan took office, the US merchandise trade deficit has grown from $39.7bn in 1981 to $170bn in 1986, although the rise in the value of the yen against the dollar means that these figures overstate the change in volume terms.

The rise in Japan's trade surplus over the period has led to a series of wrangles with Tokyo

In addition, Japan, having repeatedly pledged to stimulate its economy to spur consumption of domestic and foreign-made goods, has found itself pummelled in the currency markets as US officials have let the dollar slip against the yen to boost American competitiveness. "The semiconductor row was an accident waiting to happen," in the words of one Washington diplomat.

Yet beyond the president's specific action on semiconductor chips lies the more general question of the shape and impact of new trade legislation

First, a caveat. The bulk of Democrats are keenly aware that they cannot afford to play the protectionist game in the year before the 1988 presidential election: no one wants a re-run of 1984 when Walter Mondale was slammed as a special interest politician; no one wants to inherit an international trade war

But there is a consensus among leading national Democrats that the trade issue is theirs for the picking. Mr Jim Wright, the House Speaker from Texas, is convinced that the Democrats' success in the mid-term elections, when they regained control of the Senate, was partly due to promises of action on the trade deficit

Mr Wright is therefore pushing for a tough trade bill in the House of Representatives. But he finds himself facing opposition from Congressman Dan Rostenkowski.

For the past month, Mr Rostenkowski has made it clear that he will not associate himself with a trade bill which faces a Presidential veto. He has therefore opposed a key amendment to the House bill: a measure which would identify major US trading partners whose "excess trade surpluses," can be traced to unfair trading practices, and require a 10 per cent reduction in such surpluses.

In the Senate, where Texan Mr Lloyd Bentsen is in charge of trade legislation as chairman of the Finance committee, the mood is less overtly aggressive.

A bill now being put forward by Sen Bentsen, co-sponsored by a majority of senate Democrats and Republicans, contains some mandates for more aggressive Presidential action against unfair practices. But it makes it harder for injured industries to qualify for relief from import competition.

It authorises a new round of negotiations with GATT and requires close White House consultation with Congress on matters such as exchange rate policy, third world debt, and international macro-economic policy.

This more general approach undoubtedly finds some favour within the Administration. The question is whether Congress's desire to substitute flexibility with mandatory action is acceptable to key Administration figures such as Mr James Baker, the US Treasury Secretary.

The cornerstone of Mr Baker's approach to trade imbalances has been to argue for closer international economic policy co-ordination.

Following the Plaza accord of September 1985, when major Western industrialised countries agreed to take common action to push the US dollar down in value, Mr Baker has argued that Japan should take action to restructure its economy so it is not so reliant on export-led growth.

According to Mr Baker, internal economic reform in Japan is as important in the long run as external movements in exchange rates. Indeed, as one Administration official pointed out at the weekend, the joint statement arising from the recent meeting of the G5 nations in Paris underlined the view that "excessive moves in exchange rates can be detrimental to bringing about domestic growth."

Mr Baker's difficulty is that he faces degrees of scepticism within the Administration about the good faith of the Japanese in pursuing economic reform. Mr Malcolm Baldridge, the US Commerce Secretary, is the most vocal exponent of this view. By feeding off sentiment in congress and talking tough, Mr Baldridge has grabbed front page coverage in the US press to the exclusion of more moderate voices.

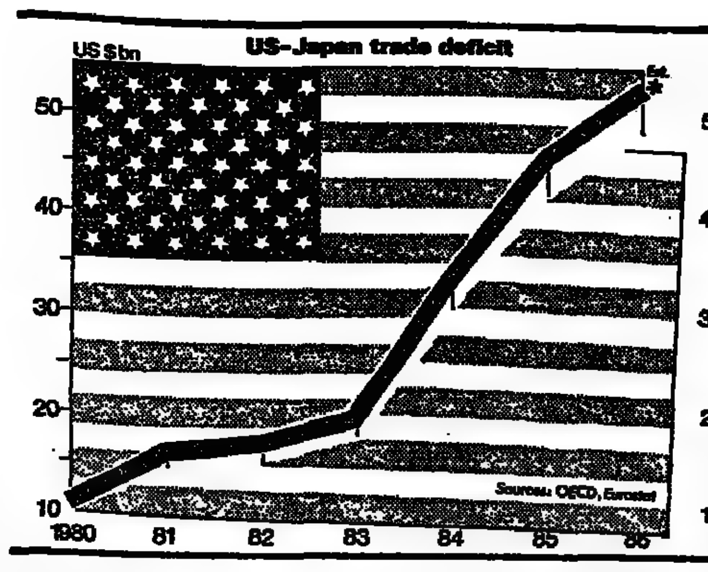
"The danger is that this could generate a momentum of its own," says one Administration official.

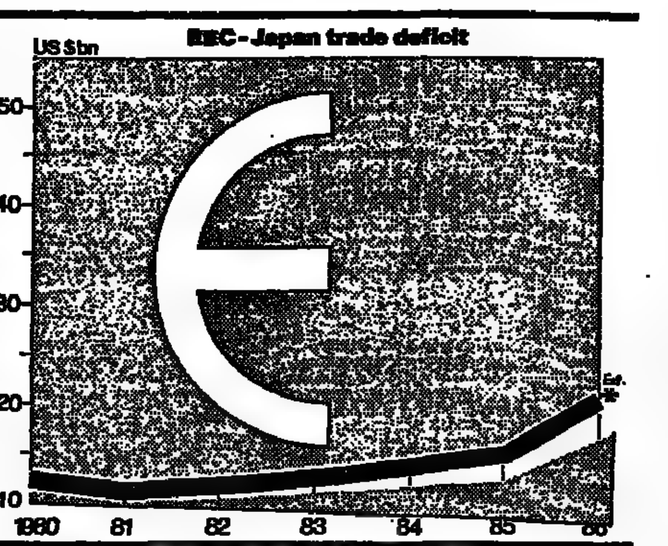
Which is why Mr Baker last week went along with the decision to retaliate

Similarly, the US earlier this year was happy to go to the bring of a trade war with the EEC over Spanish and Portuguese tariffs on American maize and soya exports. The dispute was only resolved when the EEC backed off and dropped the tariffs.

The lesson: holding a pistol to the head of other trading nations works. But it also raises the temperature and creates an atmosphere far removed from rational debate.

Last week's action against Japan was almost certainly a selective strike to settle a specific problem—no one wants a trade war. But there is a sense in Washington today of a country stumbling into conflict.





Not exactly the spirit of GATT

By Peter Montagnon, World Trade Editor

"I AM convinced that most countries realise that the general state of the international economy and international economic relations is so serious that they could no longer afford the luxury of muddling along from conflict to conflict."

This comment by Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), was made to an audience of businessmen in London at the end of January, just as the new Uruguay round of trade liberalisation talks was finally getting under way.

Two months later, with a new trade war apparently looming between Japan and the US over microchips and pressure mounting in Europe for concerted trade action against Japan, the statement holds good.

Trade diplomats in Geneva yesterday maintained that the latest tensions would not and could not be allowed to jeopardise the Gatt round. Yet there was also a nagging worry that the dispute would be a fresh blow to the spirit of Uruguay, when the round was launched in September. Even if it is resolved it will leave a legacy of bitterness and heightened risk for the future.

It is only three months ago that a similar dispute between the US and the EEC blew up over agriculture, with the Reagan Administration threatening retaliation against Europe because its failure to agree compensation for grain exports to Spain and Portugal lost when those countries joined the Community.

That problem was eventually resolved without perceptible damage to the Gatt talks and in the short-run the hope in Geneva is that the same will happen in the case of the microchip war. "My own feeling," says Mr Andrew Stoler, an attache at the US delegation to Gatt, "is that when things get that serious they have a way of working themselves out."

Mr Martin Wolf, chief economist at the Trade Policy Research Centre in London, agrees that there is still a good chance the threat of US sanctions will persuade the Nakasone administration to take satisfactory action over microchips, but he also warns that, in a broader sense, this will not necessarily resolve anything.

There is a very strong tendency in the press to exaggerate the importance of each event and then assume that once it is resolved, the whole problem has gone away, he says. In fact, the microchip war shows that "the US has pretty well made up its mind to act unilaterally to enforce its interests whether in ways that are either dubious or in downright contravention of the Gatt," he says.

Apart from the immediate risks inherent in this policy, the danger is that it will end up leaving developing countries, who are key participants in the Gatt round and potentially large markets for the west, disillusioned about the US intentions. At the launch of the Uruguay round these countries wrung out of the industrial powers a commitment that they would both freeze protectionism and also try to roll back barriers to trade. That all looks increasingly hollow.

At the very least the looming tangle of dispute between the world's main trading powers suggests such a minimal degree of mutual trust that the incentive for other participants to work for genuine progress towards trade liberalisation in four-year process of the Uruguay round is likely to be diminished.

The EEC has already decided to complain to the Gatt about last year's semiconductor agreement between the US and Japan, which was designed to prevent Japanese companies dumping microchips in the US and to open the Japanese market to US microchip exporters. Gatt has yet to pronounce on the complaint, but it traditionally frowns on such bilateral agreements, because they smack of market sharing and cartel-like practice.

Were the US now to go ahead with its proposed sanctions on Japan, the situation could be doubly bad. Most trade officials believe that, as announced by the White House on Friday night, the sanctions would be illegal under international trade rules which require that Gatt members treat all their trading partners equally.

Thus Japan would arguably have the right in its turn to complain to Gatt about the US action, and even to retaliate in kind, opening up the possibility of a full-blown trade war which would scupper the Gatt round for good and all.

No one is predicting such an outcome at this stage. Ultimately there is much at stake for both sides, not only in trade. As the chart on the left shows, Japanese investors are major buyers of US government bonds, effectively financing the Reagan Administration's massive budget deficit.

Neither side would want relations to deteriorate to the point where Japan might for example, stop buying Treasury securities. That would leave the US Administration unable to finance its budget deficit and the dollar would fall dramatically in exchange markets. On the other hand, Japan's investments in the US would also lose their value and its own ability to trade in world markets would be seriously impaired.

Yet if the mutual interdependance of Japan and the US on the world economic scene is greater than meets the eye, a resolution of the microchip war would still leave two nagging problems in its wake. Not only has the episode already served as a forceful reminder of the fragility of the world trading system against a backdrop of sluggish world economic growth. It also serves as a sharp reminder of the pressure the Reagan Administration is facing from Congress.

The administration is trying to balance its desire to promote the Gatt round as part of its own free-trade doctrines on the one hand and the need to fend off protectionist pressures in Congress on the other.

There are some signs that this strategy may be paying off. Already the House of Representatives has watered down a proposal in a trade bill, due to be enacted later this year, which would call for mandatory retaliation against countries with a persistent surplus in their trade with the US. In spite of this, the administration remains concerned about the bill's protectionist tone and the House's strident position on textile imports.

All this is happening against a dismal economic background for world trade itself. Last week the Gatt itself forecast that world trade growth would slip to 2.5 per cent this year, from a pedestrian 3 per cent in 1986. In Senate testimony earlier this month Mr Rimmer de Vries, the influential chief economist of Morgan Guaranty Trust, said the US trade deficit would fall only modestly from its record level of $170bn last year.

Barring substantial macro-economic policy adjustments by both deficit and surplus countries, the deficit was unlikely to fall below $100bn for the remainder of the decade, he said, heightening the risk that the world economy would fall victim to a "resurgent tide of protectionistic nationalism."

If that is the case then the microchip war is likely to be only one among many. "If you have enough such cases," warns Mr Wolf of the Trade Policy Research centre, "it becomes virtually certain that one will not be resolved and will blow up."

Letters to the Editor

The right way to tax houses

From the General Secretary, Inland Revenue Staff Federation

Sir,—Samuel Brittan's article (March 26) provides a valuable introduction to any study of the major problem of housing in Britain and particularly into the unhelpful relationship of that problem to mobility of labour.

While I could not possibly support the Government's policy on housing generally, I sense that Mr Patten was right to be cool on "Lets into Leases." Surely what would result, in the south east especially, is a market in such leases unaffordable by the very people Mr Brittan seeks to provide for. With their new powers I suppose building societies would be able to help if they chose, but I sense only at relatively high rates given the limited equity value and other hazards not associated with normal owner occupation.

It is by any standards astonishing that the Government is rushing ahead with the community charge in Scotland when the whole concept of such a poll tax has been condemned by virtually everyone outside the Government.

Equally astonishing is the persistent unwillingness to give credence to the advice on rates by the Layfield committee. The fact that Layfield's advice in so many opinions remains wise over a decade after his committee first reported, is fair evidence of the soundness of the argument which says that a property tax (rates) should remain, but on the basis of capital values rather than theoretical rental values.

What was also suggested by Layfield was the prospect of a local income tax as a supplement. Is there merit in exploring Layfield's approach with Muellbauer's, i.e. the restoration of the old Schedule A for income tax purposes (to provide a predetermined level of income from residential property for local authorities) with a local income tax becoming the instrument for "topping up" by local government on which they would be fully accountable locally?

I recognise that this discounts considerably Layfield's sound enough arguments in favour of calling the tune if you pay the piper. But it would not erode it wholly and would, I think, have some other advantages.

Here I come to mortgage interest relief from income tax and to Frank Field's proposal of a ceiling to the cost of it. It may be the case that if we had never had the relief in the first place, things would be better. But all that is academic. We do have it and I do not see how we get rid of it. Yes, it should be restricted to the basic tax rate, but not to keep the maximum mortgage on which it is allowed moving along with the increase in the price of houses is surely to inflate the price of houses selling for figures below the limit and those selling for 10 per cent-20 per cent above it. The sufferers are those on low incomes, especially first-time buyers.

There is another way round labour immobility—take work to the workers. This federation is prepared to explore this (in fact we first proposed this to the Department in 1956 and received a flea in our ear at the time) having co-operated fully in the 1960s and 1970s in moving a great deal of work to Scotland, to Merseyside, to Manchester and to Tyneside. The useful by-product is the release of housing in the south east. What we would insist upon, reasonably enough, is that it was done in any way acceptable to south east members. They must not suffer a cost as a result—either in cash, time or unreasonable inconvenience or promotion prospect. What we must not do either is move out jobs the south east will need: there is nothing to be gained from shifting unemployment about.

Tony Christopher.
231, Vauxhall Bridge Road SW1.

GATT and Japan's policy

From Mr J. Provan, MEP.

Sir,—Peter Montagnon's excellent article on "EEC External trade" (March 25), claims that by referring Japan's protectionist tax and duty system for imported wines and spirits to the Gatt, the EEC's case against Japan has lost momentum in terms of public perception.

The facts, however, disprove this. In late December 1986, the Japanese Government announced some proposed tax and duty reform changes which the EC Commission and the British Government immediately rejected as inadequate. In January of this year, the EC member states endorsed the Commission's intention to pursue the issue through the Gatt on an "expedited" basis and in early February the Gatt agreed to the EEC Commission request for the creation of a Gatt "panel" to arbitrate on Japan's policy towards imported wines and spirits. The panel's first meeting was held later that month. In accordance with the agreed procedures, the EC Commission has already filed its written submission with the panel, whose decision on the issue s expected in the summer.

By normal standards this Gatt panel timetable is meteoric. Moreover, the EC Council of Ministers' recent confirmation of its determination to seek a solution to the issue either bilaterally or through the Gatt, and also the Japanese Keidanren's (CBI equivalent), announcement of support for the EEC objectives demonstrates that whatever the alleged public perception, the facts are that the issue is still very much alive.

James Provan.
Wallacetown, Bridge of Earn, Perth, Scotland.

Unified capital market

From the Director-General for Financial Institutions and Company Law, Commission of the European Communities

Sir,—Hugo Dixon, at the ninth European Financial Management and Marketing Association convention in Nice (March 24), reports comments by Mr Robert Lion, director-general of Caisse des Depots et Consignations, suggesting that the Commission of the European Communities, in its eagerness to achieve a unified capital market by 1992, is simply proposing mutual recognition of supervisory regulations and that this could lead to a lowering of supervisory standards throughout Europe.

If true, this would be a serious criticism. In fact, however, mutual recognition of standards is only one element in the Commission's approach to achieving unified financial markets by 1992. We have, in addition, always emphasised that mutual recognition must rest on the broad equivalence of national regulatory systems and this will often require some prior degree of harmonisation. There is no question of our seeking to harmonise at the lowest common denominator. On the contrary, we are committed to ensuring equality of competition in the banking and other financial markets on the basis of prudential standards which assure the stability of the financial system and adequately protect investors, depositors and consumers.

Mr Lion is reported as saying that the Commission should be working for a harmonisation of capital ratios, taxation and the rules against market malpractices such as insider trading. We are indeed doing just that. Last year the Commission published proposals for Community legislation on the definition of banks' capital resources and is working on an harmonised solvency ratio. Equally, within the next few weeks the Commission will be putting forward a proposal on the regulation of insider trading. That proposal, in particular, will require some member states to introduce controls in areas where they have not existed before.

G. E. Fitchew,
rue de la Loi 200, B-1049 Brussels.

Personal pensions

From Mr P. Bennett

Sir,—Undoubtedly the Government's motives for permitting "free-standing" voluntary contributions by members of company pension schemes are pure.

There can also be no doubt however that many pension scheme members are going to be losers as a result of this innovation. Commission-hungry intermediaries (who may not spend long checking out the virtues of the company scheme's AVC arrangements) are already exhorting employees to give the company scheme a miss and wait for the brave new world of October and beyond.

The simple facts however are that any decent company arrangement will effectively channel commissions back into the members' investment, and other expenses of operating in-scheme AVCs are borne by the company.

"Personal" AVCs will prove expensive for the employee by comparison since commissions and expenses must be deducted from their investment. Moreover, trustees take great care in the selection and review of the scheme's AVC investment manager, often offering a choice in the process; few individual members could be confident of making such a careful selection, with or without the assistance of an intermediary.

The message is plain. To all intents and purposes, personal AVCs are a high-risk investment. Companies and trustees can no longer afford to hide their light under a bushel. Tidy up the company scheme arrangements if necessary and make sure from now on that you extol the virtues of your AVC scheme adequately!

P. L. Bennett.
3, The Old School House, George Street, Hemel Hempstead, Herts.

Time for a change?

From Professor P. Moore

Sir,—Decimalisation of our currency came (somewhat belatedly) to the UK in 1971. Why is it that, 16 years later Government Stocks are still quoted in units of 1/32nd of a pound? A glance at your page of Gilt Edged prices provides a powerful demonstration of the extra comprehension and ease of calculation that decimalisation could bring. Is the time not ripe for a change?

(Professor) P. G. Moore.
The Athenaeum, Pall Mall, SW1.

FINANCIAL TIMES

Tuesday March 31 1987

Pope prepares to tread sensitive ground of Chile

Political tensions are rising as the Pope sets out on his latest Latin American tour, Mary Helen Spooner reports

Left: Pope John Paul II addresses the people of Peru on his last Latin American trip; and, right, the welcoming sight of Brazil's Sugar Loaf Mountain.

POPE JOHN Paul II arrives in Chile this week at a time of increasing tension between the government of General Augusto Pinochet and the country's Roman Catholic hierarchy.

The Pope's visit, during a two-week tour of Latin America will be one of the most politically sensitive of his career, and one of the most politically risky for General Pinochet's 13½-year old military regime. In the past six months, four foreign priests have been forced to leave the country, a provisional bishop's office has been burgled in suspicious circumstances, and another bishop has received death threats.

The 18-year-old niece of Monsignor Carlos Camus, bishop of the southern diocese of Linares, was arrested last month by Chile's secret police, the CIN. In a court statement following her release, the young woman said she had been pressed to confess to terrorist activities, and threatened with sexual assault and torture if she did not cooperate. No formal charges were ever made against her.

The Chilean bishops conference referred to her detention in a pastoral letter a few days later, saying that while they did not expect their relatives to receive treatment different from other Chileans, "the fact that a young woman only 18-years old should be subjected to true psychic torture causes us to reflect on what thousands of Chileans have suffered."

Bishop Camus then gave an interview to El Mercurio, a conservative Chilean daily newspaper, in which he implied that the left-wing guerrillas who attempted to assasinate General Pinochet last September might eventually be considered heroes.

"I believe that when this (the assassination attempt) is studied as an act of war they will perhaps be seen as heroes," he said. "They risked their lives. On the other hand I see no heroism in a torture with an unarmed person."

The next day, Chile's Justice Minister announced that the Government would present a formal protest to the Vatican over the bishop's remarks.

The Catholic church has complained that pro-government groups have sought to subtly manipulate the publicity surrounding the Pope's visit. Monsignor Francisco Cox, executive secretary for the Chile Papal Visit Commission, said recently that the church was considering a legal suit against those responsible for changing the official visit slogan, "John Paul II, messenger for life," to "John Paul II, messenger for peace." Posters bearing the modified slogan, which has less of a human rights message and refers more to the Vatican's mediation of Chile's territorial dispute with Argentina in the Beagle Channel, have appeared on buses and in shop windows.

Political tensions have also risen steadily. Late last month, 14 prisoners at Santiago's public jail, including 11 men charged in the assassination attempt against General Pinochet, began a hunger strike in protest of the military courts' handling of their cases. The strike has since spread to 10 other detention centres around the country, with nearly 500 prisoners, many detained on terrorist or political charges, joining the movement.

Supporters of the hunger strikers are calling on the Pope, who is due to visit prisoners in the northern desert town of Antofagasta, to intervene during his trip.

The Government's heavy handed treatment of Mr Olodomiro Almeyda, the former socialist foreign minister who entered the country clandestinely and turned himself over to the courts, has prompted sharp criticism from Chilean opposition figures.

Mr Almeyda, who spent more than 12 years in exile, was detained as he left the court and sent into internal exile, in Chile's remote southern territory. Chilean officials apparently hope the socialist leader's removal from Santiago will deflect unwanted international attention from his case during the Pope's visit.

Terrorist bombs have also reapeared in the past few weeks. In two separate incidents in the city of Concepcion, an industrial zone on the Pope's itinerary, bombs have killed one policeman and injured three others this month.

Left-wing guerrillas also caused a partial powercut in Santiago earlier this month just as General Pinochet was delivering a televised speech marking the anniversary of the Pinochet regime's constitution.

Meanwhile, in the working class municipality of Pudahuel in western Santiago, a facelift is underway ahead of the Pope's arrival. The area, where at least half the workforce lacks stable employment, and where discontent often boils over into rioting during anti-government protests, boasts a new church, and fresh paint now coats walls previously covered with political graffiti.

Swedish arms group admits Iran sales

By Sara Webb in Stockholm

NOBEL INDUSTRIES, the Swedish arms and chemicals company at the centre of an arms smuggling investigation, admitted yesterday that Bofors, its ordnance subsidiary, sold weapons to countries in the Middle East via Singapore in a clear violation of Swedish law.

The revelations raise the question of whether the Singapore authorities knew that Singapore companies were illegally re-exporting Swedish arms.

Mr Anders Carlberg, managing director of Nobel Industries, hinted that the deals may simply represent the tip of the iceberg, and that separate investigations by the police and customs could confirm allegations that the company sold explosives and gunpowder to Iran.

"We have not gone through everything. There will probably eb other export orders which will come out of these investigations. Their size is not known," said Mr Carblerg.

Swedish companies are forbidden to sell weapons to countries in areas of conflict, includink the Middle East. The Bofors investigation has reecntly created a political storm in Sweden amid suspicions of government involvement, and has damaged Sweden's reputation as a neutral country.

Nobel Industries previously denied charges of illegal arms exports, but in a volte-face—prompted by reports in the Swedish press last week—the company now admits that Bofors surface-to-air missiles were sold to Bahrain and Dubai via Unicorn, a Singapore company which is indirectly controlled by the Singapore Government.

Bofors delivered the missiles to Unicorn between 1979-80. They were re-exported between 1979-81 to Bahrain and Dubai and the contracts werew orth between SKr 50m and SKr 100m (£4.9m and £9.7m).

Further deliveries of missiles and radar components subsequently took place, the personnel from Bahrain received weapons training from Bofors at its Swedish headquarters.

Nobel Industries has admitted that deliveries of ammunition, gunpowder and explosives took place without the knowledge of the Swedish authorities. The customs investigators have already claimed that Nobel cooperated with other West European arms and explosives manufacturers in supplying Iran.

THE LEX COLUMN

Dilution not to taste

As the dollar flounders, gold shares are shooting through the roof: it is just like a rerun of the late 1970s. But nostalgia is not an emotion that everyone enjoys. Equities had a very shaky time yesterday. And as for falling interest rates: forget it.

B&C

British & Commonwealth is soon to offer a unique investment opportunity: 20 per cent of an unquoted company with a number of minority stakes in a morass of businesses ranging from lime aggregates to hotels in Mauritius via biotechnology.

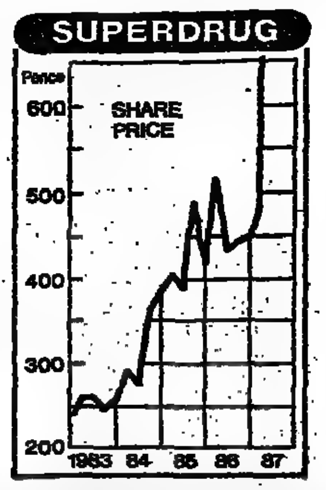
It may well be that only development funds will be interested in the opportunity, but it is simply wrong that existing B&C shareholders were not given at least an option not to have their holding in the group diluted. After all, they have already shown their willingness to invest in the B&C mix.

If it were not for their unwillingness to subject this collection of investments to the fullest market scrutiny, the directors of B&C might have chosen demerger as the best way to disentangle the management problems involved in the existing corporate structure.

That would also have the merit of letting the market decide the value of the new public company. Instead the job will be left to BZW. It will have to screw a very full price out of the new investors if B&C shareholders are to be pacified.

If BZW succeeds then the positive side of the exercise will be revealed: the City is meant to impute the new higher value to the unglamorous side of the company, add its own valuation of the financial services side, and pronounce that B&C shares are dramatically undervalued.

But at 450p, down 20p, the B&C share price suggests that the virtues of Mr John Gunn's latest deal are not transparent to his followers.



Shearson Lehman

American Express's reasoning that selling off at least part of Shearson Lehman Brothers will increase its own share price is not the greatest buy recommendation for the forthcoming public offering.

If owning the third largest brokerage house on Wall Street is just a way to pour precious capital into a volatile business, why should anyone else want to have a piece? Nippon Life has good cause to pay over the odds for the 13 per cent share it is taking.

And perhaps the senior employees at Shearson Lehman, whose non-compete contracts agreed at the time of the merger three years ago are soon to expire, wanted an equity option incentive.

But the urgency of American Express's decision, first rumoured earlier this month, to cut its stake in Shearson Lehman to 60.5 per cent raises suspicions. Only a few months ago it was ready to pay $1.6bn for E.F. Hutton to enlarge the group.

And the timing of yesterday's SEC registration of the partial float on a day when the US stockmarket slumped, served to emphasise the low quality of broking earnings.

The scandals on Wall Street have damaged the rating of the broking sector. So has the need for more capital in the merger and acquisition business. And if 1986 does turn out to be the cyclical earnings peak, a historic multiple of around 11 for Shearson Lehman, at the indicated $34 to $38 price, in line with the sector, may not be low enough.

Woolworth/Superdrug

Woolworth is to be congratulated for its ability to keep a secret as much as for its choice of Superdrug. On a multiple in the mid-thirties, Superdrug is not as highly rated as Underwoods, with which Woolworth was talking a couple of weeks ago.

And whereas Underwoods would have brought Woolworth a retail formula that has yet to be proved outside central London, and depends on prime locations to generate heavy traffic, Superdrug has shown that it can roll forward, tank-like, on a broad front and can also trade successfully out of the secondary space with which Woolworth is so well endowed.

Superdrug's earnings per share for the year just ended are a fraction lower than two years before, and although the shares have underperformed markedly in recent months (even since Woolworth broke off talks with Underwoods) the initial dilution will take a while to overcome.

Hawley/BCA

After nine years of doing deals together it seems unnaturally fitting that Hawley Group and British Car Auctions should take the plunge; a pity the market decided to follow suit.

Hawley sceptics who have not been persuaded by recent simplifications will complain of yet more paper and the lack of a cash alternative in a falling market. But as BCA was never a stock for sceptics, or for those who might feel queasy about a Bermudan domicile, there should be little dispute about the deal. In any case Hawley and the BCA board hold at least 20 per cent of BCA which, combined with a few friendly institutions, leaves little room for dissent.

BCA is providing 22 per cent of historic profits for about 20 per cent of the combined equity. But considering it has, in effect, been on the market for several months an exit multiple of 15 is not ungenerous, while Hawley will provide both a broader base and plenty of cash for expansion.

And if the full listing in the US is imminent the Hawley stream of earnings may soon be taken more seriously than its artificial domicile, in which case the long-hoped-for re-rating could soon be achieved.

BCA is unlikely to provide an immediate earnings boost to Hawley but at least this "people business" will stay in one place and give it a useful fourth leg. A quick repayment of those loan notes will strengthen the Hawley balance sheet and 26 cents of earnings (21 cents) looks feasible for this year.

China TV deal for Maxwell

By Raymond Snoddy in London

MR Robert Maxwell, the British publisher, yesterday announced an agreement to provide programmes on Western science technology and industry for China Central Television (CCTV).

The deal covers 52 half-hour programmes for a series called What's New, which will be co-produced by CCTV.

Mr Maxwell said yesterday: "It's a new route into China and a direct means of communicating with key decision-makers."

The project will be financed by a mixture of sponsorship and up to four minutes of advertising time for each programme. Mr Bryan Cowgill, deputy chairman of Mirror Group Newspapers, Mr Maxwell's company, said that companies could offer films on new products for inclusion in the programme but added: "Any film that is boring would not qualify for the programme."

The programme is being seen as a sponsored version of the BBC's long-running programme Tomorrow's World for the world's largest television audience.

The project is being put together by a Maxwell company, Pergamon Media Trust, and Great Eastern Development (GED), a US-based China trading organisation. Pergamon GED is joining with CCTV and the China International Trust Investment Corporation.

Mr Fang Cunlin, deputy head of education at CCTV said the series was an entirely new concept.

The deal is part of Mr Maxwell's long-term ambitions to be a global broadcaster. The British publisher claimed yesterday that he was talking to Comecon, the organisation of Eastern European states, on the possibility of delivering satellite broadcasting channels to Eastern Europe.

Mr Maxwell also confirmed that he was talking again to the French authorities about investing in TDF-1.

Pretoria minister's withdrawal deals fresh blow to leadership

BY ANTHONY ROBINSON IN JOHANNESBURG

THE WITHDRAWAL of Mr Louis Nel, South Africa's former Deputy Information Minister, as a National Party candidate only hours after the apparent suicide of Mr John Wiley, the Minister for Environmental Affairs, has given another shock to a ruling National Party leadership facing an electoral challenge from both left and right.

Mr Nel survived removal as Deputy Foreign Minister in 1985 after making clandestine visits to the rebel Mozambican National Resistance (MNR) unbeknown to Mr Pik Botha, the Foreign Minister, only to be sacked again last November as Deputy Information Minister. He now appears to have finally ended his political career in favour of a new one as a business legal consultant.

In his last ministerial post Mr Nel embarrassed the Government by spending more than R4.5m ($1.46m) on a controversial, multi-racial pop song. But his latest business venture could have proved equally as embarassing.

According to a report in the Johannesburg Sunday Times, Nr Nel, acting in his private capacity as a self-proclaimed "international business consultant," was involved in a bid by Japanese businessmen and bankers to buy surplus land surrounding the South African embassy in Tokyo. The Foreign Ministry was involved on its own behalf in secret preliminary negotiations to sell the land in order to partically finance the building of a new ministerial headquarters in Pretoria.

Mr Nel said yesterday he had withdrawn through personal choice and not because of pressure following the revelations. But there is little doubt that the issue could still damage the high profile campaign by President P.W. Botha, who has tried to make the question of financial probity a major campaign platform.

Mr Nel's activities were undertaken as a private business venture unrelated to party fund-raising, but he may well have weakened President Botha's attempt to portray the National Party as a model of probity while at the same time accusing the three independent candidates, and anti-apartheid organisations, of illegal fund-raising and improper use of foreign funds. The campaign is part of Mr Botha's strategy of blaming foreign interference for many of South Africa's (and the National Party's) current problems.

In his opening campaign speech last week at Lichtenburg, in the heart of the right-wing western Transvaal farming area, Mr Botha raised the question of foreign funding and attacked America and the West generally for allegedly doing the Kremlin's work for it by trying to weaken South Africa through sanctions, disinvestment and other pressures.

France may expel Soviet diplomats

BY DAVID HOUSEGO IN PARIS

THE French Government is considering the expulsion of one or more Soviet diplomats after finding that the Soviet embassy in Paris was implicated in an industrial espionage network to gather information about the Ariane space rocket and other sensitive industries in the Normandy region in western France.

Seven people, including the head of the Rouen office of Insee, the government statistics office, were charged 10 days ago, with supplying information to a foreign power.

According to leaks in the French press yesterday, they were not only interested in the new third stage motor being developed for the Ariane rocket but in other aerospace and high technology companies in the Normandy area, including Hispano-Suiza, Thomson and Matra.

The Soviet official named as managing the network is Mr Valeri Konorev, the assistant air attache. But six other Soviet diplomats are also said to be involved.

The French Foreign Ministry declined to comment on the case yesterday. Both Mr Jacques Chirac, the Prime Minister, and Mr Jean-Bernard Raimond, the Foreign Minister, are in the US on an official visit.

For Mr Chirac, the advantages of taking a tough stance with Moscow are largely offset by not wishing to undermine his own planned visit to the Soviet Union in May. Franco-Soviet relations were badly strained by the French expulsion of 47 Russian diplomats in 1983.

Among the plants in which the Soviets appeared to have been interested in Normandy are the Société Européene de Propulsion (SEP) at Vernon which is developing the new cryogenic motor for the Ariane; Hispano-Suiza which makes thrust reversers at Harfleur for the Boeing airborne early warning aircraft; the Renault plant at Sandouville; and Thomson telephone and cable plants.

The leader of the group Mr Pierre Verdier appears to have been drawn into providing information for the Soviets through Mrs Antonella Manole, a Romanian who worked in his office. Mr Verdier later travelled to the Soviet Union and married a Soviet. He was given away by Mrs Manole, who, jealous at his marriage, informed the Prime Minister's office by letter

An Insee official in Paris and a technician working on contract at SEP were also arrested.

Life after death for Citroën 2CV

Continued from Page 1

But the fact that the car will no longer be made at Levallois suggests that the writing is now on the wall. The decision to shut down the plant reflects the steady fall of 2CV sales. Although the car continues to provoke a sense a great affection and warmth in France, its sales have declined by 47 per cent between 1983 and 1986. "We sold 28,300 2CVs in 1983 and only 14,000 last year," Citroën said yesterday.

Only about 150 2CVs are currently produced each day – 100 at Levallois and 50 in Portugal. Moreover, the Levallois plant, which employs just over 1,000 people, was like other old car plants in the Paris area, doomed in the longer term.

These plants in the Paris suburbs have been gradually closed because the cost of modernising them has become prohibitive. At the same time, the Peugeot group has been recentring its industrial activities on a number of core, large-scale plants as part of its recovery programme which has returned both the Peugeot and the Citröen divisions solidly into the black

Although the 2CV will continue to be made in Portugal, it will no longer be quite the same again for the French car industry and generations of French motorists who started and some ended their driving careers with the 2CV.

The car has traditionally been the French students' car par excellence.

With its canvas roof, it was for years the cheapest convertible on the market. It is also a car firmly rooted in the French provinces and one of the most popular cars among farmers and artisans. When the Scoialists were in government, the 2CV received a new boost when Mme Françoise Castro, the wife of Socialist Prime Minister Laurent Fabius, drove regularly to her husband's office, the Hotel Matignon, in a purple and black 2CV.

Sadly, that time has now come after 38 years during which nearly 5m 2CVs have rolled off the Levallois assembly lines. Even though Citröen insists that production will continue in Portugal, a chapter in French industrial history has ended.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	11	52	Dubrovnik	F	12	54	Malta	F	13	55	Rhodes	S	16	61
Algiers	C	13	55	Edinburgh	F	11	52	Manchester	C	9	48	Rio de J'o	–	–	–
Amsterdam	C	6	43	Faro	S	15	59	Manila	–	–	–	Rome	R	11	52
Athens	S	19	66	Florence	C	10	50	Melbourne	R	15	59	Salzburg	F	2	36
Bahrain	–	–	–	Frankfurt	C	6	43	Mexico City	–	–	–	San Francisco	–	–	–
Bangkok	–	–	–	Funchal	F	17	63	Miami	S	24	75	Seoul	R	6	43
Barcelona	S	14	57	Geneva	C	5	41	Milan	S	13	55	Singapore	F	29	84
Beirut	–	–	–	Gibraltar	S	17	63	Montreal	C	9	48	Stockholm	–	–	–
Belfast	F	9	48	Glasgow	F	10	50	Moscow	C	6	43	Strasbourg	F	6	43
Belgrade	R	7	45	Guernsey	C	9	48	Munich	F	2	36	Sydney	F	20	68
Berlin	F	6	43	Helsinki	C	1	34	Nairobi	F	28	82	Taipei	–	–	–
Biarritz	C	8	46	H. Kong	F	26	79	Naples	F	15	59	Tangier	S	17	63
Bombay	S	37	99	Innsbruck	F	3	37	Nassau	–	–	–	Tel Aviv	S	22	72
Bordeaux	R	7	45	Inverness	F	9	48	New Delhi	S	30	86	Tenerife	S	21	70
Brussels	R	4	39	Islamabad	–	–	–	New York	S	10	50	Tokyo	F	16	61
Budapest	R	6	43	Istanbul	S	20	68	Nice	S	14	57	Toronto	R	9	48
B. Aires	–	–	–	Jakarta	–	–	–	Nicosia	–	–	–	Tunis	C	13	55
Cairo	F	22	72	Jersey	–	–	–	Oporto	S	14	57	Valencia	S	14	57
Cape Town	F	23	73	Jo'burg	F	24	75	Oslo	S	6	43	Venice	F	11	52
Caracas	–	–	–	Lima	–	–	–	Paris	R	7	45	Vienna	C	6	43
Casablanca	S	16	61	Lisbon	S	13	55	Peking	S	6	43	Warsaw	F	7	45
Chicago	S	-4	25	London	C	11	52	Prague	F	4	39	Washington	C	13	55
Cologne	C	6	43	Los Angeles	F	15	59	Reykjavik	Sn	-2	28	Zurich	F	3	37
Copenhagen	F	7	45	Luxembourg	C	4	39								
Corfu	R	14	57	Madrid	F	1	34								
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Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Plain talk in Moscow

Continued from Page 1

added that "The next few weeks will show whether Nato is indeed prepared to remove the whole class of nuclear weapons from European soil."

The Soviet leader also accused the British Government of dragging its feet in efforts to improve economic and technical links. He said: "There will be no progress if the British side intends to persist in its reluctance to remove the barriers that are standing in the way and that either exclude the items we find most attractive, impede the access of Soviet goods to your markets or make your companies' bids non-competitive."

Mrs Thatcher, in her speech, stressed that any agreement on medium-range missiles must have constraints on shorter range missiles to ensure there is no circumvention. She said that the next stage must be further negotiations to reduce the imbalance of shorter range missile systems.

She also said that "There must also be real progress in negotiations to deal with the Warsaw Pact's superiority in conventional forces." She quoted a recent proposal by Mr Gorbachev himself that the way to deal with this is not for the one with less to increase his forces but for the one with more to reduce them.

Mrs Thatcher supported the US view that discussions on reductions in strategic nuclear weapons should be separate from the US Star Wars

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BASF reports sharp drop in profits but predicts upturn

BY ANDREW FISHER IN FRANKFURT

BASF, the big West German chemicals group, reported a sharp drop in group profits for the whole of last year but said that business was expected to develop satisfactorily in coming months.

Pre-tax profits in 1986 were down by 13.6 per cent to DM 2.83bn ($1.45bn) as a result of the fall in the dollar and lower oil prices. World sales slipped by 9.7 per cent to DM 43.1bn.

The result, which is in line with the trend earlier reported by the company for the first nine months, is the second from one of Germany's big three groups in the industry. Last week, Hoechst said its group profits were nearly 2 per cent higher at DM 3.2bn.

For the rest of 1987, BASF said business should move along satisfactorily, without the unusual influences which affected 1986, such as the drop in the dollar and in oil prices. Both the order inflow and backlog were still high.

BASF, based in Ludwigshafen, said it regarded 1986 as a successful year, since sales volumes had developed well, despite the drop in nearly all currencies against the D-Mark and the decline in oil and petrochemical prices.

Mr Hans Albers, BASF chief executive

The group said that the rise in the D-Mark caused turnover to show a decline when translated into the German currency and also led to lower prices for exports from within Germany.

Turnover in BASF's oil and gas activities showed a marked fall last year because of the lower crude oil price. It also led to a reduction of prices in the petrochemicals sector.

In most sectors, rises in turnover were achieved only through acquisitions made during the previous year and which had a full impact on the 1986 results.

The biggest of these acquisitions was the $1bn purchase of Inmont, the US motor paints and printing inks company, from United Technologies. It also bought other US and European carbon fibre and plastics operations.

BASF said that as well as declines in turnover it also suffered profit falls in oil and gas, fertiliser, plant protection products, potash, and basic chemicals. In other areas, profits were higher as a result of previous expansion.

Thus, said the group, the overall DM 413m drop in group profits before tax was roughly the same size as the write-down in stock values which occurred at the start of the year in its oil and gas operations, mainly at its Wintershall subsidiary.

At the parent company level, pre-tax profits showed a small 3.2 per cent increase to DM 1.97bn on sales which were down by 8.5 per cent to DM 18.7bn. Group capital spending was 8.2 per cent higher at DM 2.7bn.

German steel group wins F&S battle

By Peter Bruce in Bonn

MANNESMANN, the big West German steel pipes and engineering group, yesterday won a three-month battle to take control of one of the country's biggest motor component groups, Fichtel & Sachs, for an undisclosed sum.

Mannesmann said it had bought a 75 per cent stake in the MBC Sachs Vermögensholding, which controls the 37.5 per cent stake once held by the late Mr Ernst Wilhelm Sachs in Sachs AG, the Fichtel & Sachs holding company.

In addition, the Commerzbank has agreed to sell Mannesmann its 35 per cent stake in Sachs AG, the late 10 per cent of which was recently sold to the bank by Mr Guenther Sachs, Ernst Wilhelm's brother.

The chief competitor in the race for control of Fichtel & Sachs, the state-owned steel and engineering group Salzgitter, is now negotiating the sale of its 24.98 per cent stake in the group to Mannesmann as well.

Fichtel & Sachs is primarily a clutch producer. Turnover last year was some DM 2.2bn ($1.2bn). The group employs 17,000 in plants in Schweinfurt, Kitzingen and Hanau and in 30 subsidiaries in West Germany and abroad. Mannesmann did not disclose the cost of the acquisition.

The move fits neatly, nevertheless, into efforts by Mannesmann to diversify away from its lossmaking steel pipes business into areas where it can expand its growing mechanical and electrical engineering skills.

A sharp recovery in profit at Mannesmann after difficulties three years ago has been somewhat blunted by renewed problems with its steel businesses.

Turnover hovers around DM 18bn a year, and the group's chairman, Mr Werner Dieter, said recently that the group was actively looking for acquisitions in the US.

The assumption of control at Fichtel & Sachs still requires approval of the cartel authorities in West Berlin, but this is not expected to be a problem.

COMPUTER GROUPS NEAR COMPLETION OF JOINT VENTURE STUDIES

Honeywell, Bull finalise details

David Thomas in London reports on how three computer groups are approaching the marketing, production and R&D aspects of their joint venture, agreed last week.

BULL OF FRANCE, Honeywell of the US, and NEC of Japan, are completing a series of studies of how their new computer joint venture, Honeywell Bull, will affect their marketing strategies, manufacturing operations and product development.

So far, most of the information about the joint venture, which was formally agreed last week, has concerned the financial and management structure of the joint venture, which is based on Honeywell's information systems division.

Bull is taking management control of the venture, with an initial stake of 42.5 per cent, building up to 65.1 per cent during the next two years.

Mr Brian Long, chairman of Honeywell UK, who has a place on the management committee of the new venture, yesterday disclosed the initial thinking about the venture's commercial strategy.

A number of working parties had been established to look at the venture's implications for manufacturing and purchasing, marketing in Europe and North America and individual product areas.

These working parties would be reporting their recommendations to the new Honeywell Bull board by the end of May.

He did not foresee much scope for rationalisation in the short term because the companies had already been co-operating closely in their marketing strategies before establishing the joint venture.

However, Mr Long, who sits on all the working parties, said there was immediate scope for distributing the three companies' products in new markets as a result of the joint venture. The three companies would be likely to develop a unified product strategy for the next generation of products.

As an example, Mr Long mentioned that the three companies offer different personal computers at present. Honeywell distributes personal computers made by NCR of the US, as well as by itself.

Mr Long said this would probably change in the medium term, with the joint venture distributing personal computers made only in-house. Mr Long thought the joint venture might choose to base its PC strategy around the NEC range, although no final decisions had been taken.

The former Honeywell organisation would remain responsible for the joint venture's operations in the UK and Italy, with Bull remaining responsible for the rest of Europe.

This meant that Bull would not be increasing its direct presence in the UK, which traditionally has not been large.

However, the UK arm of the operation is looking at how more Bull products could be sold in the UK under the Honeywell Bull label.

Mr Alex Russell, Honeywell UK's marketing manager, said he was studying how to introduce more of Bull's products aimed at the financial sector, such as its banking terminals, into the UK.

He also thought that components which Honeywell bought from other companies could be replaced by Bull or NEC components. For example, Honeywell bought large discs from IBM, but NEC also made them. Similarly, Honeywell might be able to source its printers from Bull.

Mr Long was certain that Honeywell's computer factory in Newhouse, Scotland, which employs about 250, would not be closed because of the venture, even though it makes the same minicomputer as a Bull factory in Angers, France.

He said the Scottish factory was modern and efficient. In the longer term, however, there might be a different distribution of products between the Newhouse and Angers factory.

He hoped the venture could lead to extra research and development work for the 350 staff at Honeywell's UK development centre in Hemel Hempstead.

Arbed cuts jobs as sales fall

BY WILLIAM DAWKINS IN BRUSSELS

ARBED, the Luxembourg-based steel producer, yesterday unveiled an expected decline in profits and sales and announced that it had reached agreement with the Government and unions on major job cuts.

Net profits for 1986 fell from LFr 1.12bn ($29.6m) to LFr 890m on turnover down by 11.4 per cent to LFr 57.8bn. Demand slackened markedly during the second half of the year, leaving annual output down by 7 per cent to 3.73m tonnes.

The group indicated yesterday that the outlook for the current 12 months was gloomy and that production was expected to continue to decline. A tripartite committee of political, union and company representatives has therefore agreed to slim Arbed's workforce by 2,000 over the next three years, the intention being to make all the reductions through early retirement at 57.

Arbed has already more than halved its workforce from 27,000, when recessions first started to hit the steel industry in 1975, to the present complement of 13,000.

Cash flow slipped from LFr 6.7m to LFr 5.7bn last year. Both sales prices and demand continued to weaken during the early months of 1987, but the EEC's provisional decision to keep in place for the time being the Community's crisis regime of production quotas should help to support the market, the company said.

The weakness of the EEC steel market was further underlined yesterday by European Commission figures showing that crude steel production in February had reached 9.9m tonnes, a fall of 5 per cent compared with the same month in 1986. New orders in 1986 stood at 82.9m tonnes, 4 per cent down on the previous year, while last year's deliveries declined by 3.8 per cent to 83.7m tonnes, said the Commission.

Delhaize lifts income by 59%

BY WILLIAM DAWKINS IN BRUSSELS

DELHAIZE LE LION, the Belgian supermarket group, which makes just over half its sales in the US, yesterday reported a 59 per cent rise in group net profits for 1986.

Consolidated earnings rose from BFr 852m ($22.5m) to BFr 1.35bn last year, mainly thanks to the elimination of $9.5m of losses. They came from the disposal at the end of a majority share in the group's troubled Atlanta chain, Food Giant.

That sale, plus the dollar's weakness, was also the prime reason for a fall last year in group sales from BFr 187.5bn to BFr 168.2bn. The three food stores owned by Super Discount Markets, a majority Delhaize-owned spin-off from the Atlanta sale, achieved sales and profits "in line with forecasts," the company said yesterday.

Delhaize's biggest US subsidiary, Food Lion, saw its sales increase by 28 per cent to $2.4bn over the same period. Its net income rose by 30 per cent from $47.6m to $61.8m during the year.

Food Lion opened 71 supermarkets in 1986, bringing the total to 388. It plans to open another 85 this year.

The Belgian division ended the year with sales 3.5 per cent ahead at BFr 59.4bn, at a time when the domestic retailing market stagnated. Its net earnings were up more strongly, by 26.5 per cent from BFr 322, to BFr 408m. The board is to recommend to the next shareholder's meeting on May 27 a 20 per cent increase in the annual dividend to BFr 30 a share, net of withholding tax.

Pingo Doce, Delhaize's Portuguese food distribution company, boosted its sales last year by 34 per cent to Esc 6.3bn ($45m) and turned in a net profit of Esc 52m, as against the 1985 total of Esc 10m.

CIR profits rise by 48 per cent

By Alan Friedman in Milan

CIR, one of the key quoted financial and industrial holding companies controlled by Mr Carlo De Benedetti, yesterday unveiled a 48 per cent jump in the 1986 net profit, to L58.6bn ($43.5m).

The company, which is listed on the Milan, Paris and Brussels stock exchanges, is increasing dividend payments for ordinary and savings shares by 35 per cent.

CIR's holdings represent the core of Mr De Benedetti's industrial interests and include effective control of Olivetti (office automation), Buitoni (foods), Valéo (car components), and Sasib (engineering).

Seb exceeds profit forecast

BY GEORGE GRAHAM IN PARIS

SEB, the French cooking equipment producer, exceeded its earnings forecasts last year with a 57 per cent increase in net profits to FFr 110m ($18.3m).

Sales rose 7 per cent to FFr 3.47bn. Operating costs grew more slowly, and financing costs were reduced, leaving the company with current profits up 37 per cent at FFr 251m.

Seb's buoyant results contrast with Moulinex, its chief rival on the French cooking equipment market, which is expected to have recorded losses of well over FFr 200m in 1986.

The Seb results follow successful launches for three new products during the year: the Calor irons, the Seb pressure cooker and the Tefal electronic scales, of which 200,000 were sold – half of them outside France.

The Calor division returned to profit during the year, producing a profit of FFr 6m after losses of FFr 70m in 1985 and FFr 110m in 1984.

Seb said that after extra costs last year from restructuring, factory transfers and new product start-ups, a significant improvement in profitability was expected this year.

Current profits are expected to increase by 20 to 30 per cent to more than FFr 300m, with sales rising by 5 to 7 per cent.

A dividend of FFr 19-a-share net of tax will be proposed.

Italian fibres group posts sharp decline

By Our Milan Correspondent

SNIA BPD, the Italian fibres, munitions and chemicals group which is under the effective control of Fiat, yesterday recorded a decline in its 1986 net profit of 28 per cent to L68bn ($52.3m).

At the pre-tax level, and before interest charges, Snia made a profit of L121.2bn ($93.1m), an 11 per cent rise on the previous year.

The Snia profit was struck on consolidated group turnover of L2,421bn, which was 4 per cent higher than the 1985 level. Exports accounted for 43.4 per cent of total revenues.

The group's net debt declined from L718.4bn to L516bn while net equity rose by 83 per cent from L748.5bn to L1,372bn. Snia BPD is chaired by Mr Cesare Romiti, who is also managing director of the Fiat group.

● Sirti, the telecommunications installation and maintenance company which is part of the IRI-Stet state-holding group, yesterday announced a 41 per cent increase in 1986 net profits to L106.6bn. The company's turnover was unchanged at L505.4bn.

● Saes, the quoted holding company whose principal asset is a 51 per cent controlling stake in the Rinascente department stores group, has reported a 27 per cent rise in its 1986 net profit to L14.9bn.

Deutsche Bank to pay DM 5 extra bonus

By Andrew Fisher in Frankfurt

DEUTSCHE BANK, the largest bank in West Germany, is to pay a DM 5 ($2.77) bonus to shareholders on top of a maintained DM 12-a-share dividend because of the sharp jump in 1986 profits resulting from the flotation of the former Flick industrial empire.

That operation yielded the bank a pre-tax profit of some DM 1bn, and it promised last December, when announcing its figures for the first 10 months, that a special bonus would be paid.

Profits on the Flick flotation accounted for most of the bank's rise in partial operating profits for the first 10 months. These were 54 per cent higher at DM 2.42bn though, without the Flick contribution, the rise was only 2.5 per cent.

Hawley to buy British Car Auctions Group

BY CLAY HARRIS

HAWLEY GROUP is to buy British Car Auctions Group in an agreed bid which values the target company at £182m ($293m). The acquisition will add another sector to Hawley's existing interests in cleaning, security and food services.

The merger will reunite Hawley's Mr Michael Ashcroft and BCA's Mr David Wickins, who disentangled their companies' joint investments in 1985 and 1986. Both men emphasised yesterday that BCA, which operates 28 car auction facilities evenly split between the UK and the US, would operate as a separate unit within Hawley, under Mr Wickins' management.

Hawley, registered in Bermuda since 1984, will give BCA the cash resources to expand its auction network in the US. BCA will have $100m to spend without board approval. "The average price of an auction today is about $7m whether we create it or whether we buy it," Mr Wickins said.

For Hawley, BCA is another high cash-flow, low-asset business. The combined group will derive nearly two thirds of its earnings from the US.

"We're knocking on a total combined capitalisation of about £1bn," Mr Ashcroft said yesterday, contrasting the figure with Hawley's £228,000 market value when he took over in 1978 and BCA's initial worth of £460 when Mr Wickins founded it in 1946.

In 1986 Hawley reported pre-tax profits of $83.3m.

Background, Page 36; Men and Matters, Page 26

INTERNATIONAL COMPANIES and FINANCE

Debt-hit HBC to sell wholesaling interests

By Bernard Simon in Toronto

HUDSON'S Bay Co, the debt-burdened Canadian retail and property group, is to sell its wholesaling business to a private investment group as part of a strategy to concentrate on its department store and real estate interests.

Terms of the sale were not disclosed. The purchasers include members of the wholesale division's present management.

Although the wholesaling division contributed more than an eighth of HBC's revenues in the year to to January 31, its operating earnings of C$8.2m (US$6.3m) were only 4 per cent of the total.

Cigarette and confectionery distribution and office coffee services comprise the bulk of HBC's wholesaling interests. The coffee service has 15,000 customers throughout Canada.

HBC, which has debts of C$2.3bn, has also recently disposed of its Canadian and London fur sales operations and the chain of stores in northern Canada which had their origins as the company's fur trading stations in the 18th century.

Construction groups agree to merger

By Our Montreal Correspondent

CANADIAN FOUNDATION Co, Toronto and Banister Continental Edmonton, two of Canada's oldest and largest construction companies, plan to merge. Combined 1986 revenues were more than C$300m (US$229m) and net worth $90m.

Both are seeking more domestic and foreign business and both survived the 1982-83 recession, partly with the help of foreign work.

Banister will become a holding company and Canadian Foundation the operating company.

About 15 per cent of Banister's shares will be held by the Canadian arm of Sweden's Skanska AB construction group.

The Banister family will control the company and has made an agreement with the Swedish group that any future acquisitions of Banister shares by Skanska will not increase its holding to more than that of the Banister family.

Legal battle likely over Usego-Trimerco

BY JOHN WICKS IN ZURICH

A LEGAL battle is likely over control of Usego-Trimerco Holding, a leading Swiss retail group, following the announcement that the Zurich-based Denner group now owns a majority shareholding.

Usego, whose 1985 turnover amounted to almost SFr 1.2bn ($789m), last year reacted sharply to large-scale purchases of its shares. The board claimed that these were being bought up on behalf of Mr Karl Schweri, the proprietor of Denner.

The Denner group is one of Switzerland's biggest retail chains, owning the Denner cut-price supermarkets, the Franz Carl Weber toyshops and the Wallace chemists' shops. In 1986 total group turnover – including sales of the Pronto-Reisen travel agencies – rose by 8.2 per cent to SFr 1.44bn.

Mr Schweri has now disclosed that he was responsible for buying up Usego shares, stating that he now owns 52 per cent of overall share capital.

Although he says these include over three-quarters of all Usego bearer shares, Mr Schweri's voting-rights majority appears to be blocked by the fact that some of the registered shares are still in the name of their former owners.

Usego chairman Mr Paul Buergi has said that the board does not propose to enter these shares into the register so as to give Mr Schweri a voting majority. His company, which sees the Denner move as "without a chance," is considering suing Mr Schweri for alleged unfair competition.

Mine doubles capacity

BY BERNARD SIMON IN TORONTO

CAPACITY at the Round Mountain Mine in Nevada, the world's biggest heap-leach gold producer, is to be doubled at a cost of $140m.

The mine's three shareholders said that the expansion would raise annual output to 300,000 ounces when completed at the end of 1988.

Echo Bay Mines of Edmonton, the fast-growing Canadian gold producer, has a 50 per cent interest in Round Mountain, with the rest split equally between Homestake Mining, the biggest US gold producer, and Case Pomeroy and Co, a private New York concern.

Canadian mill plan

BY ROBERT GIBBENS IN MONTREAL

A C$420m (US$323m) project to build a 210,000 tonnes yearly capacity super-calendered paper mill at Matane, about 50 miles north-east of Montreal on the St Lawrence south shore, is getting back on track.

Last January Saugbrugs of Norway dropped plans to build the magazine-quality paper mill at Matane saying the cost had risen from C$280m to more than C$400m.

The Quebec Government said delays in negotiating federal financial support contributed to the higher costs.

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Hilary Barnes on a method of property finance of 140 years standing

Danes try mortgage system in UK

IT IS somewhat surprising to find that Denmark, with a population of only 5.1m, boasts some of the largest secured credit corporations in the world.

These are the three principal *mortgage credit associations,* Nydkredit, Kreditforening Danmark (KD) and Byggeriets Realkreditfond (BRF). Nydkredit and KD have balance sheets of DKr 250bn ($36bn) and DKr 264bn respectively (twice as big as the biggest bank), BRF of DKr 100bn.

The associations, which are self-owning, issue bonds on the stock exchange to finance all forms of real estate from summer cottages to farms and factories. The bonds are collateralised by the real value of the property while the borrower, his income and wealth, are in principle irrelevant.

The Danish mortage finance system has been in operation for 140 years or so and the Danish bond market is enormous, even by international standards. Outstanding bonds, in nominal value, are worth over DKr 1,000bn ($140bn), of which mortgage bonds account for about 60 per cent and government paper for the rest. Turnover in the bond market last year exceeded DKr 4,000bn.

Until recently, the mortgage credit associations were permitted to do business only in Denmark. In 1985, however, they were authorised to undertake housing finance abroad and have in fact provided finance for a modest amount of residential *building in Germany.*

From January this year they have been permitted to undertake financing of commercial property as well.

"We pressed for government permission to finance office and factory building, as this is the business in which the Danish construction companies are interested," says Mr Hans Ivan Hansen, managing director of Nydkredit.

The UK is the most interesting market for this type of business, he said. "We hope we can finance building for £35m to £40m ($56m to $64m) over the next few months."

A start will be made with the first payment of money, about £2m, to finance two refurbishing projects, an office and a retail stores project, in London.

There is a ceiling of 5 per cent of reserves on how much the associations are allowed to finance abroad. This means *about* DKr 700m a year in the case of Nydkredit, but as it has not so far been able to use the full allocation, it has "saved up" about DKr 2bn in *foreign* financing capacity.

Although the Danish system of bonds issued against real values is essentially simple and cuts administration to a minimum, it is nevertheless unusual. "We had to spend a long time explaining to our English colleagues how the system works," said Mr Hansen. He thinks that the Danish associations offer several attractions, which should make them competitive.

● Loans are fixed interest, 20-year annuity loans (but interest rates are reviewed every five years), as opposed to the variable interest loans typical in the UK.

● The real value basis of the loans facilitates standardised treatment of loan applications, which can be handled speedily.

● Low administration costs mean that Nydkredit's financing costs are considerably lower than normal UK rates.

● Loans can be split (if a property is sold off into owner-occupied flats, for example). There are no penalty payments in the event of resale, and the mortgage follows the property.

The main disadvantage for the Danes is the 29 per cent UK withholding tax on the first £30,000. *This makes ordinary* housing finance unattractive, as the association's cash-flow is affected, and while the money withheld is repayable, it may take a year for it to be paid out.

Dispensations are given for payment of gross interest, but in the case of housing this disadvantages the debtor.

The problems are simpler for business building, partly because the dispensation to pay gross interest is easier to obtain and partly because the debtor does not have the same tax deduction opportunity as the home owner and is therefore prepared to pay gross interest.

Loans are issued in sterling at rates which relate to UK capital market rates, and while the initial business will be done for properties in which Danish construction companies are involved, a Danish involvement is not a condition of doing business, said Mr Hansen.

Saudi International plans increase in share capital

BY STEPHEN FIDLER

SHARHOLDERS of Saudi International Bank, the London-based consortium bank 50 per cent owned by the Saudi Arabian Monetary Agency, have agreed to increase the bank's capital.

The bank, which released 1986 results yesterday showing a fall in pre-tax and net income, said shareholders had agreed to commit a further £50m in capital. Some £27.5m will be paid up in cash ths year, taking *capital funds* to £220m.

The bank hopes the move will preclude the need for any further increase after the Bank *of England introduces* new capital requirements later this year.

Mr Peter de Roos, chief executive officer of the bank, said the bank, following the pattern of some other international banks, was thinking of switching its capital base from sterling — perhaps into dollars — but that such a move was *not imminent.*

The bank, which is 20 per cent held by Morgan Guaranty *of New York* and the remaining 30 per cent by seven Saudi and other international banks including National Westminster, reported that pre-tax profits dipped to £17.8m from £19.1m, while net profits fell to £10.2m from £11.1m.

Total assets rose to £3.23bn at the end of 1986 from £3.06bn a *year earlier, while its loan port*folio shrunk slightly to £1.21bn from £1.28bn. Some 15 per cent of that portfolio is in the Middle East, while 40 per cent is in Europe.

While total *income* rose 6 per cent to £47.6m, trading, fee and other income was up 38 per cent to £15.1m. The bank said it plans to plough further resources into its expanding investment banking activities.

Seven-year $1.5bn debt facility for GPA Group

BY OUR EUROMARKETS STAFF

GPA GROUP, the aircraft leasing and finance company, *is seeking* a $1.5bn debt facility for aircraft purchase and to refinance its existing bank debt.

The facility, being arranged by Morgan Guaranty, will be put towards the purchase of about 80 Boeing 737 aircraft, under a contract signed in June.

GPA is a privately held company whose main shareholders include Air Canada, with a 17 per cent stake; the Guinness Peat group with 15 per cent; Aer Lingus with 11 per cent; and a variety *of* Japanese and US financial institutions.

The seven-year facility will be renewable annually up to a maximum of 12 years and allows for advances or note issuance via tender panels. The financing is secured by a floating charge againstall the companies' assets, instead of the usual mortgages against individual aircraft, which can be clumsy for a leasing company.

● In other financings, Creditanstalt, Austria's largest commercial bank, has set up a £100m certificate of deposit programme, arranged by S. G. Warburg. The other dealer for the paper is County NatWest Capital Markets.

Warburg was appointed sole dealer in a £100m certificate of deposit programme for Kansallis-Osake-Pankki the Finnish bank. Paper *can* be issued *in* dollars or sterling.

Morgan Guaranty started syndication yesterday of a $75m, seven-year *facility* for Salomon, the French ski-gear manufacturer, intended to backstop a new Eurocommercial paper programme.

Guidelines from IPMA on reporting dealers

By Our Euromarkets Staff

THE INTERNATIONAL Primary *Market Association* (IPMA), the trade association of the Eurobond primary market, is recommending that lead and co-lead managers of issues should register as reporting dealers, in line with secondary market trading rules recently put in place by the Association of International Bond Dealers.

The recommendation, which comes in response to concerns about the secondary market liquidity of new issues, was included in a group of guidelines approved by IPMA at its annual general meeting over the weekend.

No date has yet been set for implementation of the reporting recommendation, however, reflecting the difficul*ties some houses* have had in putting systems into place to conform with the AIBD rules.

Since the beginning of this year, *they* have been required to report closing bid and offer prices for all bond issues in which they have committed *themselves* to making markets. Since March 2 they have also had to supply the day's highest and lowest deal*ing prices.*

IPMA is recommending that, under normal circumstances, lead managers of an *issue should* remain registered as reporting dealers for a minimum of 12 months after launch, and co-leads for a *minimum of six months.*

It has also agreed *to stiffen* its membership criterion, to adjust to the mushroom *growth of new issue activity* over the last few years. Next year, a house will have to had run the books on 12 new issues *in* the previous two calendar years—double the previous requirement — in order to qualify for membership of the association. From now on, the criterion will be reviewed every year.

The association has also approved the implementation of the IPMA Communications System, designed to speed up syndication procedures and reduce the risk of co-managers becoming confused about the terms of a deal.

The system, a telephone link between computers, is intended to replace the traditional method of putting together an underwriting group by means of telephone calls and invitation telexes.

IPMA has no power to impose its recommendations, but any deviation from its accepted rules must be made clear at the time of invoting co-managers into a deal.

● Mr Hans-Joerg Rudloff, deputy chairman of Credit Suisse First Boston, has *stepped down as chairman of* IPMA's market practices committee and will be replaced by Mr Hans de Gier, managing director of Swiss Bank Corporation International.

Mr Rudloff has also resigned from IPMA's board because of other engagements. Mr Joan Beck, an executive director of Credit Suisse First Boston, will replace him.

Steady growth in sterling CP

By Our Euromarkets Staff

THE NEW sterling commercial paper market continued its steady growth last month, Bank of England figures show.

Outstanding paper rose £227m in February to £889m. Issurance totalled £729m and redemptions £502m.

The amount of paper held by UK banks for their own account rose £79m to £271m, of which £211m was to *British companies.*

Thirty companies have reported issues since May 1986, when the Bank gave the *go-ahead for the launch of* the market.

During February, the Bank was notified of a further seven new programmes, with a maximum amount issuable of £750m.

Royale Belge earnings up by 47%

By William Dawkins in Brussels

ROYALE BELGE, the leading Belgian insurance group which has become the target of increasing takeover speculation in recent weeks, yesterday announced a 47.4 per cent irse in net profits for 1986.

Net profits at Royale Belge rose from BFr 2.33bn to BFr 3.435bn ($91.1m) last year on turnover down slightly to BFr 39.3bn. After a transfer to reserves of BFr 3.5bn, shareholders' funds climbed from BFr 9.2bn

...The board is proposing a special dividend of BFr 20 in recognition of the "exceptional" nature of the results, on top of dividend increases of up to 40 per cent for the four classes of Royale Relge shares. Trading conditions remained favourable during *the first months of 1987,* the company said.

Fixed-rate Eurodollar deals take a battering

BY CLARE PEARSON

EURODOLLAR fixed-rate bond prices took a *battering yesterday,* along with the US Treasury bond market, on concern that recent central bank intervention had failed to stem the drop in the dollar. The decline was also spurred on by a *sharp fall in the US equity* market.

Prices of five-year Eurodollar issues *fell* by about ⅜ percentage points, and those of 10-year issues by 1½ points, in thin, nervous trading. The Eurosterling market also eased.

Equity-related bonds *dominated* piecemeal new issue activity.

Morgan Stanley International led a $100m equity warrants bond for Kansallis - Osake-Pankki, the Finnish bank, *which* became only the second Finnish borrower to launch such an issue. The deal is designed to take advantage of *increased* overseas interest in the Finnish equity market, especially in the wake of the recent easing of limitations on *foreign ownership* of Finnish shares.

The seven-year bond, with an indicated 4¼ to 4½ per cent *coupon,* carries five - year warrants exercisable into KOP's free shares (those available to non - residents) of FM 20 *nominal value. The exercise* price will be set at the closing price in Helsinki on the day the *terms* are fixed, which will be on or before next Tuesday.

Morgan Stanley said the bond was trading at around its par issue price.

Merrill Lynch Capital Markets led a $60m convertible deal for Quebecor, the Canadian publisher. The 10-year bond has an

INTERNATIONAL BONDS

indicated 5¾ to 6 per cent coupon, payable semi-annually. The conversion premium will be fixed at between 22 and 25 per cent over the share price when terms are set on or before April 6.

The bond is priced at par and may not be called during the first three years. After that, it can be called first at 106 and then at declining premiums subject to the share price exceeding 130 per cent of the conversion price.

Daiwa Europe led a $35m five-year equity warrants bond for Idec Izumi Corporation, the Japanese manufacturer of control equipment. The deal, with an indicated 2⅜ per cent coupon, did not trade actively.

Swiss Bank Corporation *International* announced an A$50m three-year bond for Nederlandsche Middenstandsbank. The deal followed a host of other Australian dollar issues over the past few weeks, many *of* which are believed to be hanging around on underwriters' books.

But dealers said this 14¼ per cent issue, priced at 101¼, *should* find placement in Holland, especially as it is listed in Amsterdam and the borrower is a co-lead manager.

Banque Paribas Capital Markets led a FFr 300m five-year 9 per cent bond for Gillette Canada, guaranteed by the parent. The bond, priced at 101⅞, was bid at a discount equivalent to the level of its total 1⅞ per cent fees.

The D-Mark government bond market was hit by profit taking early yesterday, which filtered through into the Eurobond market. But during the afternoon prices in both markets recovered most of their losses, although turnover was low compared with recent days.

Prices in Switzerland were unchanged. No new issues *emerged, and dealers said* borrowers were unwilling to pay the coupons demanded by the market at the moment.

Electricite de France's SFr 100m bond with gold warrants attached, issued by Credit Suisse, traded at 101 bid in the *grey market, against a par issue* price.

Bredero swings into the red

BY LAURA RAUN IN AMSTERDAM

BREDERO, the financially troubled Dutch construction and *property group, swung into the* red with a Fl 89m ($43.2m) loss in 1986 from a Fl 9m profit the year before. The heavier-than-expected losses were blamed on an insolvent real-estat subsidiary, Breevast, and an Algerian *construction project.*

Bredero is currently under investigation by the Amsterdam stock exchange on suspicion of insider trading in its securities on the *eve* of the planned announcement of its 1986 results on March 25. This is the bourse's third probe in six months of suspected insider *trading in Bredero although* the first two inquiries found no evidence of abuse.

Bredero's announcement of *the full accounts for last year,* however, was delayed until next month pending an emergency review of the company's finances demanded by creditor banks.

The Utrecht-based company released a few, provisional figures yesterday showing that last year's losses were much *higher than* the Fl 60m to Fl 70m predicted in November 1986.

For this year, Bredero *repeated its forecast that it* would swing back into the black with a small profit and added that its order portfolio was full.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	−1	[illegible]
A/S Eksportfinans 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10½ 95	[illegible]	112	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chugoku Electric 5 93	[illegible]	[illegible]	101	[illegible]	[illegible]	[illegible]
Denmark, Kingdom 5⅛ 92	[illegible]	[illegible]	102	0	[illegible]	[illegible]
EEC 4⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 5⅛ 94	[illegible]	[illegible]	[illegible]	—	—	[illegible]
Eurofima 5½ 93	[illegible]	[illegible]	[illegible]	—	—	[illegible]
Sweden, Kingdom 5¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden, Kingdom 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price change on day [illegible] on week [illegible]						

OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

INTERNATIONAL COMPANIES and FINANCE

Earnings at Dairy Farm rise by 27%

By David Dodwell in Hong Kong

DAIRY FARM International, the food retailing and manufacturing group which last December was demerged from Hongkong Land, yesterday reported after-tax profits for 1986 of HK$288.7m (US$37m), an increase of almost 27 per cent from HK$228m in 1985.

Operations in Hong Kong, accounting for about a third of turnover, which rose 21.4 per cent to HK$10.2bn, continued to generate the lion's share of profits — HK$229m before tax, out of a total of HK$452m. Expansion of the Wellcome chain of supermarkets continued throughout 1986, and a further 20 new supermarkets are due to be opened in Hong Kong this year, taking the total to 142.

In Australia, where the group owns Franklins, the country's third largest food retailer, profit margins remained fine, according to Mr Owen Price, Dairy Farm's managing director. They were nevertheless enhanced in Hong Kong dollar terms because of a weakening of the Australian currency. Turnover of HK$6.7bn generated profits before tax of HK$212m.

A further 21 new supermarkets are to be opened in Australia this year, most of them in Queensland and Victoria. In addition, the group plans to sell its Northpoint commercial building in Sydney. The property is valued in Dairy Farm's accounts at just over A$100m (US$69.8m).

Mr Price noted that expansion was being considered into South Korea and Taiwan. The group sold most of its interests in Singapore two years ago, and has made only slow progress in developing joint venture links with partners in mainland China.

● Singapore Land, which Mr Davies subsequently joined as non-executive director, has reported a dip in net profits to S$7.8m (US$3.65m) for the first half to February, compared with S$8.9m, Our Financial Staff adds.

Fouad group faces Saudi suit

BY ANDREW GOWERS AND MICHAEL FIELD

FOUR international banks are suing the troubled Abdullah Fouad group of Saudi Arabia in a Dammam court for the recovery of loans totalling about SR 131m ($34.9m).

The actions, expected to be heard in the next few weeks, are believed to be the first significant cases brought against a major Saudi borrower by foreign banks in a Saudi court. The four litigants, which say they are acting independently of each other, are Citibank (suing for SR 55m), Arab Banking Corporation (for SR 34.2m), and Bank of America and Bank of Bahrain and Kuwait, which are jointly suing for the recovery of a SR 42m syndicated loan.

The decision to sue in a Saudi court follows separate actions by some of the banks in Bahrain, where the Abdullah Fouad group is known to have property, and reflects frustration among its creditors at what they say is its failure to negotiate for the settlement of outstanding debts.

The group's total debt to banks in Saudi Arabia and abroad was estimated last year at more than $100m, and it has fallen well behind on payments of both principal and interest.

But the move could also set an important precedent for the large numbers of other international banks which are owed significant sums by Saudi private sector companies. "We are regarding this very much as a test case," said one banker involved.

In cases involving unpaid debts in the past, Saudi courts have not shown themselves to be particularly well-disposed towards claimants — especially where the amounts claimed include interest payments. The collection and payment of interest is forbidden under Islamic law.

However, participants in the current cases are expressing guarded optimism, since there have been a number of more encouraging Saudi court judgments on interest in recent months.

Bankers are also encouraged by recent debt rescheduling moves by other troubled Saudi companies. At the end of last month, for example, the Jeddah-based Arabian Auto Agency, an importer of construction and agricultural machinery owned by Mr Zayed Sudairi, agreed to reschedule $187m of debt with its bank steering group. Another trading company, Redec, owned by Mr Ghaith Pharaon, is reported to be close to an agreement on rescheduling $347m of debt.

Abdullah Fouad has a highly diversified business in Saudi Arabia's Eastern province, founded on work performed for the Arabian American Oil Company (Aramco) after World War Two. It has agencies for oilfield equipment, food, medical supplies, computers and office equipment (especially Olivetti products). But the group's contracting subsidiaries —hit by the downturn in public construction spending — have created the problems.

Singapore trading companies show increase

BY STEVEN BUTLER IN SINGAPORE

SINGAPORE'S major trading companies managed last year to improve results despite some sharp declines in trading volumes.

Straits Trading, the trading arm of the Overseas Chinese Banking group, saw its position as Singapore's largest trading group undercut as turnover fell by nearly two-thirds to S$212.7m (US$99.5m) from S$595.4m. This is quite a comedown for a company which had 1984 sales of S$786.4m.

Attributable profits nonetheless rose by 17.4 per cent to S$49.6m. The group has managed to keep its profits up in part by shrewd property and other investments. Profits were boosted by the inclusion of a 22 per cent increase in extraordinary items to S$26m.

The group said the fall of business resulted from the decline in tin prices and a reduction in throughput treated by Malaysia Smelting Corporation, a wholly owned subsidiary.

Intraco, the government-controlled trading group that deals in everything from steel and timber to garments and oil, returned to profitability last year, earning S$6.2m compared with a S$1.3m loss in 1985. Profits for the parent company itself reached S$15.7m, against a S$4.1m loss.

Group turnover declined by 17.2 per cent to S$433.2m, reflecting the low price of commodities. Profits were boosted by a S$8.3m write-up in value of subsidiary and associated companies.

Intraco was last year shaken by extensive senior management turnover and a failed takeover bid by United Industrial Corporation. It is currently undergoing consolidation and has been recommended for complete privatisation by a government-appointed committee.

Haw Par Brothers, which is less strictly a trading company, appears to have put in the strongest performance, with turnover declining by just 7 per cent to S$249.0m, while attributable profits more than doubled to S$24.7m.

Haw Par said that profits were improved due to cost cutting measures and a restructuring of the group in the past two years. It said that its main manufactured product, the muscle salve Tiger Balm, was now firmly entrenched in foreign markets, and that its Hong Kong Textile factories had increased exports. The group also said that its merchant bank subsidiary in Singapore had made a significant contribution to group earnings.

Haw Par is proposing a one-for-10 bonus issue for shareholders. The group said that its future growth lay in export activities, which had led to the formation of new international trading subsidiaries and greater overseas marketing activities for its companies.

Computer pact for Indian banks

BY R. C. MURTHY IN BOMBAY

THE INDIAN banking industry, which employs nearly 1m people, took a leap towards computerisation when two big bank trade unions agreed to the installation of equipment valued at more than Rs 2bn ($156m), over the next 2½ years.

Government-owned banks are the main beneficiaries, since foreign banks have computerised their operations at their 136 branches beyond the level now agreed, by negotiating bilateral agreements offering monetary incentives.

The agreement between the Indian Banks' Association and the unions relates to the use of mini-computers for housekeeping tasks and partial front office mechanisation.

Banks will benefit through faster reconciliation of inter bank accounts, which have delayed completion of their annual accounts in some cases by eight months. Customers too are expected to benefit from computerised clearance.

The gains in productivity will be shared with the workforce. The unions have resisted overtures from banks to install multi-purpose computers, capacity of which is now restricted to 256 kilobytes. Under the agreement they can be installed at only 6,000 metropolitan and urban branches out of a total 55,000 branch network.

Israel Discount Bank profits plunge by 94%

By Andrew Whitley in Tel Aviv

NET PROFITS at Israel Discount Bank, the country's third largest financial institution, plunged by 94 per cent last year to 2.4m shekels ($1.49m) compared with 40.2m shekels in 1985.

Without the earnings of its overseas subsidiary, Israel Discount Bank of New York and Barclays Discount, its local affiliate with Barclays Bank, IDB would have been heavily in the red.

Mr Joseph Ciechanover, chairman of the Recanati family-owned bank, attributed the sharper than expected decline to reduced profit margins, a government-imposed freeze on bank charges

It was nevertheless "impossible to be satisfied" with the figures, said Mr Ciechanover, who took over as chief executive in the middle of the year. He said the bank was stepping up its voluntary redundancy plan, whereby it hopes to shed 15 per cent of its 5,800-strong workforce.

Nylex raises Borg-Warner Australia bid

By Our Financial Staff

BTR NYLEX, the British BTR group's Australian subsidiary, yesterday boosted its takeover offer for Borg-Warner Australia to A$202.2m (US$141.2m) with a A$1 per share increase in the bid for the automotive parts group to A$5.

Its previous overture came in January, and was rejected by Borg-Warner of Chicago, which owns 65 per cent of the target company. The hold is further cemented by a wholly owned class of preference shares—for which Nylex is offering the same price.

The latest move follows the lifting of a siege imposed on the US group by Mr Irwin Jacobs, the Minneapolis corporate raider who last Friday sold his stake. GAF of New Jersey instead has accumulated a holding in the parent of nearly 20 per cent, and is believed largely to be interested in its speciality chemicals, in particular engineering plastics.

According to Borg-Warner, other potential bidders had expressed interest in the Australian business, although none has yet emerged.

Nylex, itself 59.5 per cent owned by its UK parent, has been seeking at least 50.1 per cent control of Borg-Warner Australia.

UK COMPANY NEWS

PUBLISHING AND CONTRACT PRINTING HELP RISE

BPCC triples to £80m, starts 'outstanding' year

BY RICHARD TOMKINS

British Printing & Communication Corporation, the printing and publishing group headed by Mr Robert Maxwell, yesterday reported a threefold increase in pre-tax profits from £25.5m to £80.3m for the year to December 1986 and spoke of an "outstanding" start to the current year.

Two of the main factors behind the increase were the acquisition of Pergamon Journals in April last year, which took the publishing division's contribution ahead to £16.8m (£200,000), and the introduction of contract printing for national and regional newspapers, which contributed £11.6m.

BPCC said that its traditional printing businesses had improved sales and profitability with the exception of Purnell, which suffered a seven-month strike. The printing division's pre-tax contribution rose from £25.6m to £35m.

Other activities — mainly treasury management — contributed £16.9m (loss: £300,000). BPCC said the scope for this division's activities had been enhanced by last year's acquisition of Philip Hill Investment Trust, most of whose securities have been liquidated for cash.

Group turnover rose from £265.1m to £461.7m. There was a tax charge of £15.9m (credit: £3.2m), leaving earnings per share 36 per cent ahead at 25.2p (18.5p). A final dividend of 8p is proposed, making 14p (12p).

Mr Maxwell said BPCC had passed a number of important milestones on the road to achieving its goal of becoming a global information and communications company before the end of the 1980s. A key step in this strategy had been its entry into the North American market with last year's acquisition of two printing and publishing companies.

Mr Robert Maxwell, chairman of BPCC

Sales for the current year would approach £1bn from existing activities alone, Mr Maxwell said. With borrowings low and £200m in cash and marketable securities, BPCC was well placed to make further acquisitions in information technology in North America and Europe. The results for the first quarter were forecast to show a "very substantial" increase in pre-tax profit over the corresponding period, Mr Maxwell said, and he was confident that 1987 would show further progress towards BPCC's stated objective of achieving revenues of £3bn to £5bn by the end of the decade, with earnings per share to match.

● comment

Simple arithmetic dictates that 1987 will provide another strong advance for BPCC. Full-year contributions from Pergamon and the contract printing operation should take the group significantly ahead, so with a reasonable amount of organic growth, a sprinkling of property profits and the benefit of the £200m cash injection from Philip Hill, a figure of £135m must be in reach even without the promised acquisitions. Dilution from the disguised rights will reduce the bottom line advance, but with the shares down 6p at 340p, the p/e is still just 12. The City is entrenched in its view that the Maxwell factor commands a discount, yet the rating looks uncharacteristically humble for a company growing this fast. Recent diversifications brought the quality of earnings more in line with those of the more highly rated publishers, and as the company grows to the point where it can no longer be ignored, a weakening of market resistance might yet be in sight.

B & C plans spin off of non-finance activities

By Clay Harris

British & Commonwealth Holdings plans to spin off its commercial and service industry activities as a separate company. Although outside investors will be sought to take up to 20 per cent of the new company, there are no immediate plans for a public listing.

The move is intended to allay fears that B&C plans to sell the companies in question because of its emphasis on financial services in the wake of last year's £873m acquisition of Exco, the money broker.

It also reflects the fact that the two broad divisions of B&C require different management approaches and financing methods, according to Mr John Gunn, who will step up to group chairman under management changes also announced yesterday. Mr Peter Goldie is to become chief executive, and Mr Julian Lee, chief operating officer. They had been joint managing directors since January.

Mr Lee will be chief executive, of the new company which will comprise B&C's holdings in air transport, including Bristow Helicopters and Air UK, commercial activities, including commodity trader Kaines and overseas trader Steel Brothers, and hotels and leisure.

The new company should 'feel independent even though it's not," Mr Gunn said. The company is expected to have capital employed of between £400m and £600m.

Barclays de Zoete Wedd is to advise on the introduction of independent investors. B & C is looking for no more than six. "The outside shareholders are merely coming in as a discipline on B & C to take the long-term view."

Lord Cayzer, B&C chairman for 30 years, is to become life president. Mr Peter Buckley, his nephew, will become deputy chairman and the highest executive from the Cayzer family, which owns 31 per cent of B & C through Caledonia Investments.

Lisa Wood on Woolworth's proposed takeover of Superdrug

Aiming to take the dominant role

THE EVENTUAL domination of the British toiletries retailing business is the intention of Superdrug, the specialist "drug store" chain which was yesterday the subject of an agreed bid by Woolworth Holdings.

At yesterday's closing prices the terms value Superdrug at around £233m.

Mr Peter Goldstein, joint chairman and managing director of Superdrug, who will remain with the chain, said: "With this move we have an opportunity of dominating the toiletry business."

This market, including hair care items and household cleaners, is currently dominated by Boots The Chemist which has in excess of 20 per cent of sales.

Superdrug, set up 21 years ago, pioneered the discount "drug store" concept in Britain. It currently has some 297 outlets throughout the UK and claims a market share of about nine to 10 per cent of the toiletries business which in total is worth over £1.2bn.

Hair care products, household cleaners, baby goods and health foods are all found on the shelves. It went public in 1983. Last year it made a pre-tax profit of £12.3m, an increase of 18 per cent on 1985/86.

But while Superdrug has made an aggressive and profitable impact upon the toiletries market—one sector of chemists' total sales—Woolworth will be able to offer it new muscle in obtaining what are usually very expensive sites on the High Street.

The deal comes just 10 days after the failure of takeover talks between Woolworth and Underwoods, the London-based chemist chain.

Both Superdrug and Woolworth yesterday denied that

Geoff Mulcahy, chief executive of Woolworth Holdings

'This deal has come out of a long period of contacts between our two companies. Our ambition is to have a group of specialist retail operations, all highly profitable'

theirs was a shot-gun marriage. "This deal has come out of a long period of contacts between our two companies," said Mr Geoff Mulcahy, chief executive of Woolworth Holdings.

He rejected the suggestion that Woolworth was showing an undue haste to acquire a toiletries business. "Our ambition," he said "is to have a group of specialist retail operations, all highly profitable."

Woolworth Holding's strategy, stiffened by a new management backbone brought in since a group of City institutions bought it in 1982 from its US parent, has been to develop specialist retailing.

The main strands of these are its B & Q do-it-yourself business, the Comet electrical stores and Woolworth, the High Street variety chain.

At Woolworth a refined merchandising plan and refurbishment programme currently underway led last year to an 120 per cent increase in profits. The group as a whole confounded City analysts earlier this month by unveiling a 40 per cent increase in profits—the £115.3m result was about 10 per cent better than the retailing group's predictions last year during its defence against the takeover bid from Dixons, the electrical stores group.

Superdrug fits snugly within Woolworth Holding's plans for the High Street chain. As the refurbishment project rolls out some large Woolworth stores are being redeveloped. A large Woolworth store may, for example, be split into two separate stores with Woolworth occupying one and Superdrug the other.

In addition other Woolworth stores that are surplus to needs could be converted into Superdrug outlets. Superdrug also has its own development plans—some 50 new outlets a year.

Mr John Richards, of Wood Mackenzie, the Edinburgh-based stockbroker, said he believed Superdrug was a better fit with Woolworth than Underwoods.

"Superdrug has a proven national retail concept, unlike Underwoods. Also Superdrug has a machine-like efficiency in stisyetsmschoicen(? Tu in its systems, distribution and management control."

Superdrug was set up by brothers Peter and Ronald Goldstein, the joint chairmen and managing directors. It started as one outlet on Putney High Street, London.

"We spent the first three of four years trying to get a retailing formula," said Mr Peter Goldstein."

The retailing formula pioneered by the Goldsteins has been dubbed "drug stores." Other chains that have sprung up include Share and Tip Top.

Unlike traditional chemists' shops they do no National Health dispensing and offer discounted toiletries and associated products in supermarket-type layouts. Their growth has been rapid.

Verdict, the market research organisation, estimated that discount drug stores' shares of the chemists' goods market was 9.6 per cent in 1980. It is now 18.3 per cent.

Verdict estimated that sales in the drug store sector have trebled in the last five years while non-NHS business in chemists has risen by less than half.

It said: "The figures are from a relatively low base and are a partial reflection of the success which drugs stores have enjoyed in attracting sales from grocers as well as other retailers but still illustrate the g rowth of drug outlets at the expense of chemists."

Superdrug, with some 37 per cent of the "drug store" discount market, and now Woolworth's muscle, is determined to keep up the momentum.

Slough rises 26% to £49.6m

Slough Estates, property company, increased its 1986 pre-tax profits by 26 per cent from £39.5m to £49.6m, including a non-recurring currency profit of £2m, up from £1.1m last time.

Turnover, rental income and sales improved from £95.7m to £103.5m last year while the cost of sales, including estate operating costs were down from £36.4m to £33.8m. Other income amounted to £2.5m (£1.4m) and administration expenses and net interest payable totalled £5.8m (£4.5m) and £17.5m (£17.3m) respectively. The share of associates profits was £0.7m (£0.6m)

Stated earnings per share were 13.8p compared with 11.65p and the dividend is raised from 5.5p to 6.5p with a proposed final of 4p (3.3p).

● comment

The market's obsession with residential property has served to obscure the virtues of the industrial sector — in which Slough Estates is the largest single operator. These profit figures are £3m ahead of forecasts and, while the Bath Road trading estate in Slough may not be every developer's idea of heaven, rents are on the increase (up to £6.25 per sq ft from £5.50 a year ago) and solid capital growth looks likely. With over 10 schemes in the pipeline, Slough Estates has entered a more aggressive phase in which trading opportunities will be taken more readily. However, this is for the future. At present the group is trading on a very small discount to fully diluted net asset value of 214p—which suggests that most of the good news is already fully represented in the share price of 210½p.

Dwek still on track for £2.7m

Dwek Group, manufacturers and distributors of consumer products, made pre-tax profits of £960,000 (£130,000) for 1986 on a turnover of £19.71m (£14.37m).

This performance was in line with directors expectations at the time of the acquisition of Symphony International which completed in February. The figures exclude any contribution from Symphony but took into account 10 months trading for QA Furniture and Lewing, acquired in March 1986.

Mr Maurice Dwek, the chairman, said that current trading was on track for pre-tax profits of £2.7m for 15 months period as forecast at the time of the £9.5m acquisition of Symphony, which was completed by the successful placing of some 9m Dwek's ordinary shares.

Tax charged was £396,000 (£12,000) and there was extraordinary profits of £2.54m (deficit of £63,000) arising from the disposal of the industrial division less acquisition expenses £262,000 (nil) and a profit of £82,000 arising on disposal of shares (nil).

A second interim of 2p has been declared making 3.5p to date and a final of 0.5p forecast, earnings per share per 12 months were 7.4p (1.7p).

Bellway rises 30% and buys Essex builder

BY NIGEL CLARK

HELPED BY a substantial fall in interest charges following its £7.5m rights issue last year, Bellway, Newcastle upon Tyne-based housebuilder, reported interim pre-tax profits up by 30 per cent, despite a fall in turnover.

The company also announced yesterday that it is buying DFW Golding, Essex-based private housebuilding company, for £49.93m. The consideration is to be satisfied by the issue of 3.25m ordinary shares.

Mr Alan Robson, finance director of Bellway, said the company was a perfect fit with its plans in the area. Bellway had begun to build up a presence when the company became available and Golding would be absorbing the fledgling operation.

In the month to December 31 1985, Golding had pre-tax profits of £366,000 and net tangible assets at the end of the period of £590,000. At the moment borrowings stand at £5m.

The acquisition means that 50 per cent of Bellway's housing activities are in the south of England. The group has a policy of seeking further expansion in the south but has no further acquisitions in the pipeline.

In the six months to the end of January 1987 pre-tax profit came out at £1.73m (£1.32m) on turnover down at £24.71m (£26.86m). Earnings per share were 5.2p (4.6p) and the interim dividend is unchanged at 3p.

Mr Robson said the turnover fall was not significant as it was affected by the incidence of completions and most of the sales were in the second half.

The continuing improvement at 50 per cent-owned Falmouth Shiprepair resulted in share of related companies of £3,000 against a debit last time of £142,000.

That improvement was wiped out by there being no profits on the sale of investment properties against £168,000 last time. However interest charges, helped by lower borrowings and interest rates fell from £1.62m to £410,000.

The tax charge was £540,000 (£508,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Amari	3.5†	May 29	3.2	6.5	6.2
Bellway ......int	3†	—	3	—	7.5
Bipel‡	0.61	May 1	—	0.61	—
Blackwood Hodge	0.5	June 1	nil	1	nil
British Printing	8	July 1	8	14	12
British Syphon†	2.33	May 24	1.75	4	3
Boustead	0.1	—	nil	0.1	nil
Campari	2.5	May 26	0.5	3	1
CCA Galleries‡	1.9	June 2	—	2.7	1
Dwek ......2nd int	2	April	2	3.5¶	3.5
EBC Group‡	4.73	May 1	3.6*	7	5.2*
Emess Lighting†	4	—	3.3	6.3	5.5
Ests & Gen	1.83	May 28	1.68	2.73	2.5
J. Halstead ......int.	2.5	June 1	2.0	—	5
Johnsen & Jorg‡	3.57	May 29	2.85	4.92	4.1
Manders	7.2	May 23	6	10	8.1
Rugby Portland	3.9	July 1	3.5	7	6.4
Slough Est	4	—	3.3	6.5	5.5
UDO Hldgs ......int	0.6	June 5	0.5*	—	1.5*
Dewey Warren	nil	—	7.5	nil	7.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Total of 4p forecast for 15 months period.

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FOR OUTSTANDING RESULTS,

National Westminster Bank PLC

	1986
Pre-tax profits	£1,011m
Post-tax profits	£621m
Earnings per share	94p
Ordinary dividend per share	20.5p
Total assets	£83.3bn

PRESS FOR ACTION

In his statement to shareholders in the Group's Annual Report for 1986, Lord Boardman, Chairman of National Westminster Bank, said:

"Record profits in 1986 have again shown that the National Westminster Bank Group is one of the most successful banks in the world. The Group's consistent performance rests upon sound management of risk, good marketing of our services and firm control of costs.

"The United Kingdom enjoyed continuing economic growth in 1986. With the world economic growth projected for 1987, a more competitive exchange rate, and continuing low inflation, the conditions should be good for successful enterprise and more jobs.

"I believe the banks have responded positively to the changes in the world's financial markets and to the needs of British industry and commerce. Today, long-term money is readily available for the right projects and industry has a wider choice than ever before in the ways in which it raises funds.

"Major projects are important for the future of Britain; so, too, is a flourishing small business sector. Our support for such businesses now exceeds £7 billion.

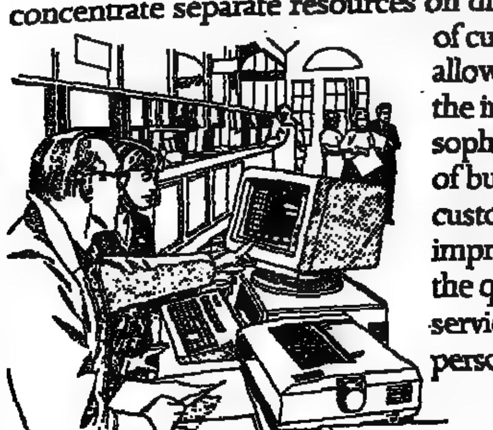
"At the end of 1986 the Group employed 94,000 people, and their commitment and dedication to customer service is, above all, the basis of our success as one of the world's leading financial services groups. Our pre-eminent position is the result of the skill, professionalism, and hard work of the NatWest team at all levels."

In his review of the year's Operations, Philip W Wilkinson, Group Chief Executive, comments:

Action in 1986

1986 was an excellent year for the NatWest Group. The firm foundation for our success in 1986, and in over three centuries of banking experience, has been our commitment to provide a first class service. We know that our customers expect and deserve no less.

The NatWest way is to build long-term relationships with our customers. During the year we have continued to reshape our operations so that we can concentrate separate resources on different groups of customers. This allows us to meet the increasingly sophisticated needs of business customers whilst improving further the quality of the service we offer to personal customers.



Throughout our substantial network of branches in the United Kingdom we are continuing our effort to ensure that our customers come first, and that their needs are identified and met. This fundamental attitude to customer service is being adopted right across the NatWest Group.

Action for People

We now have five and a half million personal customers, an increase of 400,000 over the year. The introduction of 'Free If In Credit' banking enabled us to increase our business, particularly in the important young persons market, whose accounts are the seedcorn for the future. We gained a 41 per cent share of new students accounts.

Our retail banking strengths, together with our product range, give us a significant competitive advantage. We built on that advantage in 1986 by reorganising our approach to the personal sector, by improving the way we deliver services, and by enhancing our product range.

We are in the midst of a major programme designed to enhance professionalism and service. This involves re-designing our branches, emphasising the open-plan public space, with our staff having closer personal contact with customers.

Action for Small Businesses

In so many cases, our relationship with private individuals has grown into a business relationship.

The contribution small businesses can make to the British economy, and to employment, is well recognised, and we are proud to be known as the bank for small business. We regard our lending to small businesses as an investment for the future, and our commitment to the businesses of tomorrow is shown by our market leadership in providing support in start-up situations.

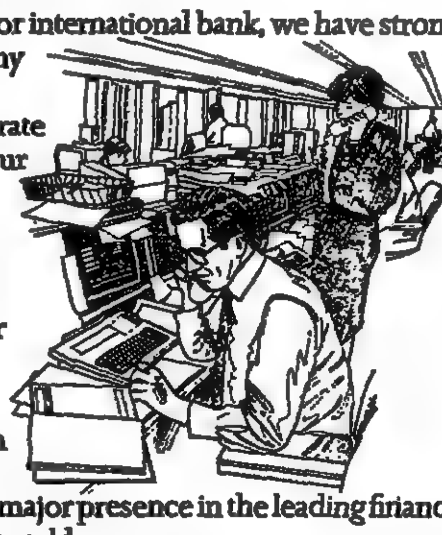
Action for Medium-Sized Companies

To build long term relationships with growing and successful companies, we are establishing a network of business centres in the United Kingdom. Within each business centre there is a team of Accounts Executives who are the focal point for banker-customer relationships. As companies develop, they often look abroad for new markets. The professional assistance offered by NatWest's world trade finance activities is helping companies reduce the costs and potential risks of international trading.

Action for Major Corporates

NatWest has a relationship with over three quarters of the largest 500 companies in the United Kingdom. We are determined to maintain and expand upon those relationships, and we have established a team of Senior Executives to do just that. They will marshal all the resources of the NatWest Group to provide a comprehensive financial service, drawing on our strengths in domestic banking, international banking and the Group's investment banking activities.

As a major international bank, we have strong links with many of the world's leading corporate institutions. Our record in international banking gives us a good foundation for the future.



We are represented in 37 countries, and we have a major presence in the leading financial centres of the world.

While NatWest is well placed to take advantage of the commercial banking business opportunities which exist in international finance, more and more multinational companies now look to the world's capital markets for solutions to their financial needs. By establishing NatWest Investment Bank on the existing base of County, we are ready to provide these solutions.

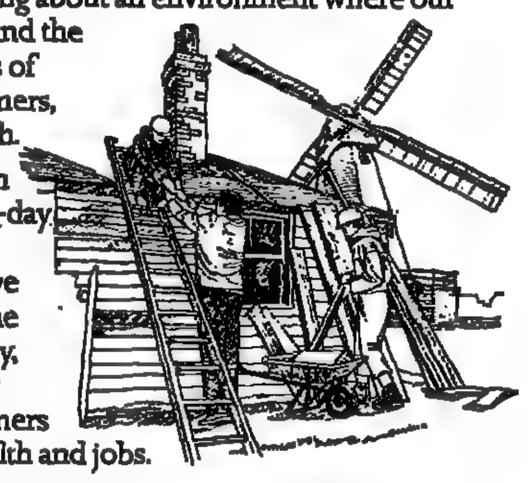
Action through our People

During 1986, the imaginative use of technology, together with our policy of streamlining working practices, enabled us to handle materially higher volume growth in our core businesses. We also moved strongly into new areas. As a result of the continuing expansion of the Group's business, the number of people employed increased by 2,000 to 94,000.

We make a major investment in recruiting and developing our people, so that they can reach their full potential, equipping them with the technical knowledge and skills needed to provide a truly professional service to our customers.

Action in the Community

NatWest plays an active part in the local community. By making a positive contribution to the well-being and development of the community, we help to bring about an environment where our business, and the businesses of our customers, can flourish.



Through our day-to-day business activities we invest in the community, by helping our customers create wealth and jobs.

Much of our programme of community support is focused on the needs of the young and the disadvantaged, and on promoting enterprise and employment, particularly in the Inner Cities, where for many years we have supported official agencies and private sector initiatives with funds and the secondment of experienced managers. In 1986, we assisted over 5,500 organisations.

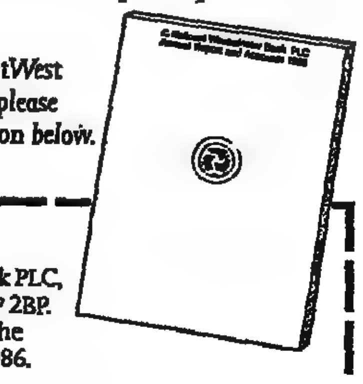
Press for Action

In 1986 our commitment to provide quality service, which has been our hallmark for three centuries, was given new expression by 'Press for Action'.

We realise that in the competitive world of financial services we shall maintain our leading position only if we continue to respond swiftly, efficiently and professionally, whenever and wherever our customers press for action.

That is why we shall follow through the major initiatives we undertook throughout the Group in 1986 to improve the quality of customer service. Press for Action is not just a slogan. It is a promise. All of us at NatWest are determined to keep that promise.

To obtain your copy of the NatWest Report & Accounts for 1986, please complete and return the coupon below.



To: The Secretary,
National Westminster Bank PLC,
41 Lothbury, London EC2P 2BP.
Please send me a copy of the NatWest Annual Report 1986.

FT.

Name__________

Address__________

__________ Postcode__________

NatWest
The Action Bank

Bass sells Pontins for £58m to former managers

Bass, brewing and hotel group, yesterday agreed the sale of its Pontins holiday camps to a consortium of former executives in a deal worth £57.5m.

Mr Trevor Hemmings and five other former Pontins' directors, who left the company more than two years ago, along with a director from the Chase Manhatten bank, will form the board of the new company, called Pontins Limited. Chase Manhattan is underdstood to be the lead banker in the deal.

Mr Hemmings will be chairman and chief executive, with Mr Graham Parr, former managing director of the Warners holiday camps, as the new managing director.

Mr Brian Langton, chairman of Bass Hotels and holiday division, said last night that Bass was "sorry to lose an established name such as Pontins but we feel the centres' long-term development will be well served by the new company."

Mr Hemmings and his colleagues have been talking to Bass for some time about buying the 23 holiday camps and three caravan parks. A small company owned by Mr Hemmings and the others last year acquired two holiday camps from Pontins.

Mr Mike Austin, sales and marketing director for the new operation, said yesterday the company would continue the development of Pontins.

"We think the Pontins operation is running on the right lines but feel that it would be more profitable to be part of a smaller group rather than a larger company."

Holiday camps, or centres as their operators prefer to call them, went through a lean time in the late 1970s and early 1980s as a result of poor facilities and little investment in refurbishment.

However, in recent years Butlins, Pontins, and Warners have all invested heavily in updating the facilities to counter the "Hi-de-Hi!" image created by the television series.

While Butlins has traditionally concentrated on large holiday camps with 5,000 or more beds, Pontin's camps are smaller with its largest camp having only 4,000 beds.

In addition, Pontins also has sought to exploit the special interest holiday packages.

Bass confirmed last night that the sale would not affect any consumers who had already booked holidays with Pontins this year.

Resignations at Aberdeen Steak

By Ralph Atkins

Two non-executive directors of Aberdeen Steak Houses have resigned.

Mr Stephen Cockburn and Mr William Spouse say their resignations follow a High Court ruling that the company underpaid staff. Both joined the board when the company was floated on the USM in August 1985, having received an assurance that there was no foundation to complaints by former employees about pay.

But in July the High Court ruled that Aberdeen had underpaid six members of staff in contravention of the Wages Council Act, which sets a legal minimum.

Earlier this month the company lost its appeal against that decision. The company may, however, appeal to a higher court.

"We relied on the assurance of the company that these claims were without foundation," said Mr Cockburn.

"We now feel that it is not appropriate to remain as directors."

He said the resignations, a week before the company announces its annual results, related to events prior to flotation and that he was happy with the conduct of the company since.

"Nothing has been done of which we think the company should have the least bit to worry about," he said.

Last night no comment was available from Aberdeen Steak Houses.

Dewey Warren

With brokerage income falling from £3.5m to £2.65m, Dewey Warren Holdings incurred pre-tax losses of £367,000 in 1986, which compared with profits of £1.01m in the previous year. No dividend is being paid against 7.5p.

Clay Harris on Hawley's planned merger with BCA

Agreeing to go under the hammer

IF IT appears that Mr Michael Ashcroft and Mr David Wickins have kissed and made up after an 18-month estrangement, that may be because reports of their falling out were exaggerated.

"All those stories about a split or our having a row were just rubbish," Mr Wickins said yesterday after announcing that his British Car Auctions Group had agreed to be acquired by Mr Ashcroft's Hawley Group in a deal with £182m.

"We went through a period of going our own way and sorting things out," Mr Wickins said.

The sorting out to be done was considerable, as the two groups disentangled their joint holdings and bought and sold large minority stakes each had held in other companies.

But after the property settlement, it now appears that not just a reconciliation but a full-fledged marriage is on the cards.

The merger wil create a diversified services group with stock market capitalisation of nearly £1bn. It will give Hawley a fourth sector to add to operations in cleaning and building services, food services and security.

For Mr Wickens, now 67, the merger will allow him to bring BCA intact into a larger group. Mr Ashcroft said yesterday that it was envisaged that Mr Wickins would run BCA which he founded in 1946, for three more years.

In many ways, the merger does mark the passing of the gavel to a new generation. Mr Ashcroft, 41, was born a few months after Mr Wickins auctioned his first car—his own car. "He has grown up with the business," Mr Wickins said yesterday.

Michael Ashcroft (left), chief of the Hawley Group, and David Wickins, who runs BCA

Bringing a new sector into Hawley, and enjoying the confidence of Mr Ashcroft after a nine-year association, Mr Wickins will achieve the rare distinction of being an outsider running a business after acquisition by Hawley. He also will be able to reassure BCA employees about their security.

The Hawley model is considerably different. Pritchard Services, the cleaner acquired in June last year, ceased to exist as an independent entity virtually from the moment the deal was completed.

Immediate review, dismemberment and reorganisation with existing cleaning activities destroyed any comparability on which Hawley felt it could report to its shareholders.

Hawley executives privately describe the process, which BCA appears not to face, as "smashing" a company, but emphasise that this emotive word obscures the point that some managers and employees of the acquired concern may actually be promoted.

Hawley sees BCA as another vehicle with which to expand into high cash-flow, low capital-employed businesses. BCA jostles for market leadership in the US despite having only 14 auction sites, mainly in the Sunbelt states.

Ironically, BCA came within an ace last year of selling out to Cox Enterprises, which operates its biggest US rival, Mannheim.

Mr Wickins pulled out of the £50m deal in July after delays in completion allowed him to see a glimpse of the recovery coming in the US auctions market.

BCA will bring few, if any, immediate advantages to Hawley's existing businesses, although Mr Ashcroft foresees peripheral redevelopment gains when auction facilities move to larger sites.

It was perhaps inevitable that the two businessmen, who share a similar history of wheeling and dealing in minority stakes in third companies as well as a bias towards expansion in the US, would get together in the end.

Both, moreover, have been on the receiving end of more than their quota of City scepticism. Their temporary parting of the ways, in fact, reflected this pressure. They jointly concluded that each had detractors enough without having to absorb criticism reflected from the other.

As a result, BCA sold its 46 per cent stake in Midepsa, the Canadian-based company which it and Hawley used for joint investments. Hawley bought 29.9 per cent of Attwoods, most of BCA's stake in the waste handling company.

For its part, BCA raised its holding in First Security, the motor components and security systems group, to 37 per cent by buying the stake owned by Midepsa, now renamed Henlys.

Hawley has since reshuffled its holdings again, transferring the Attwoods stake among others, to Henlys. Hawley is in the process of reducing its stake in Henlys, now its only associate company, to 25 per cent.

Proud of the "simplification" he has achieved in the last few years, Mr Ashcroft is unlikely to want Hawley's structure—or image—to get muddied. There must be a question therefore about the long-term future of BCA's stake in First Security. Once a seller, always a seller.

Despite BCA's strong recommendation of the offer, it is not impossible for a higher bid—perhaps even from Cox—to be launched.

Having raised Hawley's stake to 14.8 per cent with market purchases in the past week, and promising at least to double its dividend in 1987, Mr Ashcroft is unlikely to let his prize go.

If Hawley cannot carry off BCA, it is likely to raise its holding to the point where it (with the help of old friends) can make life difficult for any rival.

Microsystems improves its offer for AI

By Ralph Atkins

Microsystems Group has announced a revised offer for AI, the private electronics company.

The new offer, recommended by the AI board, takes into account the sharp rise from 230p to 280p in Microsystems Group's share price since its acquisition was launched in January.

The new offer is seven new shares and 197p in cash for every 13 AI shares. There is also a cash alternative of 150p for each share.

Full acceptance of the offer will involve issuing 2.68m shares, representing 19 per cent of the enlarged schare capital, and £371,394 cash.

So far, Microsystems has received irrevocable undertakings to accept from shareholders representing 93.5 per cent of issued shares and 70 per cent of outstanding stock.

NatWest reveals loan details

BY HUGO DIXON

National Westminster Bank, Britain's largest bank, had £609m and £544m in loans outstanding to Mexico and Brazil respectively at the end of last year, according to figures published in its annual report yesterday.

This is the first time NatWest has released precise figures on its lending to individual rescheduling countries. It is only obliged to reveal loans if they execeed 1 per cent of the bank's assets of £83bn, and the loans to Mexico and Brazil are less than 0.75 per cent.

The bank's total exposure to countries which have been subject to rescheduling agreements is 3.5 per cent of its assets, excluding acceptances.

Halstead interim profits up

James Halstead, investment holding company with interests in floor coverings, weatherproof and leisure clothing, trailers, etc, has produced pre-tax profits of £2.30m (£1.8m) for the six months to December 31 1986.

Turnover for the period was £20.2m (£18m); tax charged was £794,000 (£728,000) leaving £1.51m (£1.08m). Stated earnings per 10p share were 10.51p (7.57p) and an interim dividend of 2.5p (2p) has been declared. Trading has continued to improve and the result for the year should show further profit growth, the directars state.

The Second Market Investment Company has reported a net asset value at the end of 1986 of 202.1p per ordinary share, 63 per cent higher than 1985's figure of 124p.

The company plans a £5.83m rights issue to enable it to take advantage of the potential of the Second Market in France.

Norank in merger talks with Spong

Norank Systems, a merchandising and display systems group, said yesterday that it was in preliminary talks with Spong Holdings which could lead to a merger of the two companies.

Spong, the housewares distributor, last year took over clothing manufacturer Rowland Gaunt and Hutchinson Design Consultants.

Spong recently announced pre-tax profits of £414,000 for the six months to October 31, while Norank made £808,000 in 1986 as a whole.

Macallan-Glenlivet

Pre-tax profits at Macallan-Glenlivet, distiller, rose from £719,000 to £1.14m in 1986. The total dividend is raised from 3.34p to 3.84p net with a final of 2.84p. Earnings pere share improved from 10.87p to 16.92p.

The directors said the results had been achieved through the continuing growth in sales of The Macallan, the company's single malt whisky brand, as well as an increase in new fillings orders.

The decline in prices of energy and a material drop in interest charges—down from £637,000 to £440,000—also contributed to the result.

Group turnover for the year was £6.37m compared with £5.02m, and operating profits were £1.58m (£1.36m) after charging leasing rentals, £172,000 (same), and depreciation up from £266,000 to £295,000.

Evered

Evered Holdings, the acquisitive industrial conglomerate headed by the Abdullah brothers which last week launched a £99m bid for London and Northern, yesterday announced that it has purchased a further 1.12 per cent stake in its target.

The latest share purchase was made by Evered's advisors, Robert Fleming, which is acting in concert with the company. It takes the total Evered holding to 26.31 per cent.

NORTH OF SCOTLAND Investment Trust: Net asset value per ordinary share 25.49p at February 28 1987. Revenue for six months to end-February £41,593 before tax of £12,100. Earnings per share 0.25p.

Bryson Oil in merger talks

By Lucy Kellaway

The Exploration Company of Louisiana and Bryson Oil and Gas, two London-based oil companies with production bases in the US yesterday announced that they were considering a merger.

They said that discussions were at an early stage, and no agreement had yet been reached.

The announcement was prompted by a steep rise in the price of Bryson shares, dealt on the Stock Exchange under Rule 535(2). The company warned that the discussions did not justify such a move.

British Gas

British Gas said it repaid a £750m debt to the government, the first tranche of £2.5bn unsecured debentures issued as part of the process of privatisation last year.

The repayment of the funds for the year to end-March was in line with details given in the prospectus last year.

In the year to end-March 1988, British Gas will pay back a further £250m followed by £400m in both 1988/89 and 1989/90, and the remainder in equal instalments of £350m over the following two years.

Randsworth in £14.5m agreed bid for Apex

Randsworth Trust yesterday unveiled an agreed offer for Apex Properties which valued the company at £14.5m.

The offer is 135p in cash for every Apex stock unit, with a loan note alternative. Directors and certain other stockholders have irrevocably accepted the offer in respect of 62.57 per cent of the company, and Randsworth owns 24.37 per cent of Apex.

Randsworth said it was now poised to benefit from some of the development programme commenced in August of last year.

At Portal House, Bournemouth, refurbishment was at an advanced stage and marketing had started. The residential development at Barnet was nearing completition and 12 flats would be placed on the market with unit prices in excess of expectation. Directors were examining various alternatives for the Peasmarsh, Guildford, site and a fresh planning application would be submitted shortly.

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UK COMPANY NEWS

Rugby Cement advances by 62%

Rugby Portland Cement continued its strong first half recovery and exceeded market forecasts with record year-end profits up 62 per cent to £35.46m after a strong performance from John Carr and better profits from the UK cement division.

Turnover rose more than 24 per cent from £252.15m to £313.32m, while earnings per share increased by 17.5 per cent from 13.7p to a new high of 16.1p. Directors have recommended a final dividend of 3.9p (3.5p) making 7p for the year, compared with 1985's figure of 6.4p.

Mr G. A. Higham, chairman, said that in the UK Rugby Cement benefited from increased volume and cost reduction exercises but was adversely affected by the cost of further redundancies. There had been a modest increase in the demand for cement.

The division's profits rose from £8.68m to £16.45m.

The joinery division's trading profit rose from £3.74m to £10.47m. John Carr, the joinery manufacturer acquired in June 1985, benefited from strong organic growth. Its new subsidiary, Rothervale Joinery Ltd, made a small contribution after restructuring costs, while Rom continued its steady progress.

Steel construction products produced profits of £1.58m, compared with 1985's figure of £1.18m.

Overseas trading profits fell from £7.95m to £7.4m, with cement and lime at £4.4m (£5.6m), millwork at £2.13m (£1.57m) and the hotel division at £878,000 (£796,000).

Related companies suffered from the severe price competition in US cement markets, contributing £2.56m compared with £3.1m last year.

Taxation returned to a more normal level, taking £12.07m, more than three times the £3.41m charge in 1985. Minorities took £344,000 (£460,000). Interest charges rose from £2.82m to £3m.

Despite the £27m cash expenditure on company acquisitions and existing borrowings of £8m, group net borrowings were only £2m higher than the previous year, said Mr Higham.

Rugby Cement was well prepared to operate now that the UK cement manufacturers had ended their 53-year-old Common Price and Marketing Arrangements since the end of the year, said Mr Higham, although a period of adjustment could be expected.

The hotel companies in Western Australia had agreed to sell the Parmelia Hotel for A$31.5m (13.5m), some £7m more than its book value as at December 1986.

The company plans to change its name to the Rugby Group.

● comment

Rugby's request to shareholders to drop the Portland Cement from its title is significant. The group's efforts over the past two years to diversify from the slow growing, competitive cement business to more attractive parts of the building sector have rapidly brought it to the point where in 1987 cement may be only half the total. But the transformation could not have been worked without making the cement business an efficient cash generator. Acquisitions totalling £110m since autumn 1984 have left the balance sheet unscathed. In 1987 the John Carr joinery business will show its paces, aided by the Rothervale purchase, and the US equivalent, also added to in 1986, will improve its margins. UK cement profits may not rise, despite good volume growth, following the break-up of the cartel and in Australia work has to be done to tackle problems similar to those now solved in the UK. Since the 1986 figures beat expectations, the tendency is to increase forecasts for 1987, and £40m pre-tax now looks a minimum. Even so with the shares down only 1p to 240p yesterday, despite the market, the prospective p/e of 13.3 gives little away.

Acorn swings back into profit

DESPITE HEAVY expenditure on new product launches and continuing investment in future product creation and advanced research and development, the Acorn Computer Group swung from losses of £2.94m to profits of £1.03m pre-tax in 1986.

The release of foreign currency reserves, treated as an extraordinary credit, lifted the retained balance for the year to £2.06m.

Mr Bruno Soggiu, Acorn's chairman, warned, however, that the improved results did not mean there was room for complacency.

He said the purpose of the investment in new and innovative technology was to secure long-term profitability.

Current products were selling well and Mr Soggiu expected them to continue to provide a solid base to Acorn's activities.

Turnover for 1986 reached £46.66m (£20.12m). There were exceptional credits of £254,000 (debits £1.93m).

Earnings amounted to 1.5p per 10p share compared with previous losses of 1.2p).

Acorn's shares are traded on the USM. The company is a subsidiary of Olivetti International.

● comment

Recovery is under way but this Acorn has a long way to go before it becomes a mighty oak. A nice little exceptional item made the figures rather more palatable than might have been the case; it is obvious that sales of the Master Compact have been disappointing. For the first half, despite more sales as an original equipment manufacturer (OEM in the jargon), progress is likely to be static and hopes are pinned on the launch of the 32-bit RISC in the second period. That seems also likely to trigger a rights issue, which will push down the Olivetti stake from 79 per cent and open up an extremely limited market. Assuming that pre-tax profits hit £2.75m this year, and with tax losses amounting to around £17-18m, the shares at 62p, down 6p yesterday, are on a prospective p/e of 15. That seems to discount fully the medium term recovery prospects.

Nick Garnett on Hawker's acquisition policy

A love affair with the US

Hawker Siddeley's $8.1m (£5m) purchase, announced yesterday of US-based Modutec, marks another small step in the partial transformation of the UK electrical and mechanical engineering group.

The US company manufacturer analogue and digital panel meters, used in process control and power distribution.

During the past two years Hawker Siddeley has purchased 17 companies, all but four of them in the US and largely concentrated in electronic controls and instrumentation.

Many of the purchases — mainly in technologies and sectors with which Hawker is familiar—were relatively small. A half of the US buys had purchase tags of $10m or less.

But the outlay so far of around $215m clearly indicates two of the strands in Hawker's strategy since Mr Bob Bensly took over as managing director in March 1984 a group widely perceived to have lost its way in the late 1970s.

One of those strands is the choice of controls, instrumentation and cables as the main growth area for Hawker given the lack of buoyancy in the group's more mature sectors like diesel engines electrical motors and generators, transformers and switchgear.

Many of the purchases were in areas related to power generation and rail systems though the largest purchase — $60m for Power Conversion — added to Hawker's battery interests by giving it a large US lithium battery maker.

The other is the new love affair with the US, partly because of the greater opportunities there for finding likely acquisitions and because of the growth potential offered by the markets in which some of the purchases operate.

That thinking was already in play towards the end of 1984 when Hawker bought 40 per cent of Safetran, a US manufacturer of railway signalling equipment and level crossings.

However Hawker, which is expected to announce slightly lower yearly profits next month of between £150m and £155m, appears to be changing its operations on three other fronts.

Firstly, it has been disposing of companies making low returns or not perceived as part of core activities.

In the past two years or so Hawker has sold L. Gardner, a low-volume bus and truck diesel engine maker, Crompton Electrical Cars, which makes milk floats, and Opperman Gears and has shut down Electrical Construction, which produced small generators. Earlier this month it put up for sale its Trenton rail rolling stock company in Canada.

Secondly, it has been reorganising some of its UK businesses. Lister and Petter, makers of very small diesels, were merged and earlier this month Hawker announced that it was combining the marketing and some of the manufacturing of its Oldham and Crompton battery subsidiaries. Its Tungstone battery operations are likely to be put into this grouping soon.

Finally, it has continued to say that it was committed to its core businesses in the UK.

The diesel industry believes Hawker would be willing to sell Lister-Petter but that company, under new local management, has been developing a new range of water cooled engines to try and claw back some of the market share it has lost to companies like Kubota and Yanmar of Japan.

Hawker is also negotiating to buy Newman, a manufacturer of small electric motors which Hawker says would add to its product range and technology.

Bipel tops forecast and has strong cash balance

Bipel Group, West Midlands engineer, has beaten the profits forecast it made last June at the time of its entry to the USM.

For the year to end-December 1986, profits rose to £1.26m pre-tax. That was an improvement of 30 per cent over the previous year's £974,000 and £113,659 ahead of the prospectus forecast.

As promised, shareholders are to receive a dividend of 0.6125p net per 5p share.

The directors said yesterday that the group's cash position had remained strong. They added that year-end cash balances of £2.53m provided a firm base for expansion.

Group turnover for 1986 totalled £5.9m (£5.44m) and included a full 12 months for ID Packaging and 10 months for Carrington Packaging.

Tax accounted for £393,000 (£358,000) to leave the available balance £255,000 higher at £871,000.

Earnings worked through at 4.51p compared with a previous 3.33p.

It was pointed out that the first orders for the new Pipel Tiltmaster micro processor had been received from both West Germany and the UK, and that the overall level of enquiries remained encouraging.

The Bipel Group was formed in 1981 through a management buyout of Turner & Newall's engineering division.

EBC moves ahead after eliminating loss-makers

PRE-TAX profits at EBC, the Exeter-based group which provides management services to the construction group, rose from £1.12m to £1.32m in 1986.

The directors said good contributions were made from the company's building contracting activities, and its companies moved into 1987 with sound order books.

In a restructured specialist division, EBC has eliminated three non-contributing companies by firm action, with a compensating profit on sale of their plant assets.

The three discontinued activities, with turnover of £4.34m, incurred trading losses of £344,000 in 1986 and £514,000 on turnover of £6.68m in 1985. A total of £413,000 previously written off, was brought back into profit as a result of the sale of scaffolding materials.

External group turnover was down from £56.17m to £51.44m. Tax took £423,000 against £401,000, and there was an extraordinary credit this time of £71,000.

The final dividend is effectively raised from 3.6p to 4.78p net for an increased total of 7p (5.2p adjusted) — dividends absorb £341,000 against £279,000. Retained profits came out at £628,000 compared with £444,000.

There was an increase from £5.01m to £6.77m in shareholders' funds. Staed earnings per 50p share of this USM company improved from 15.9p to 19.8p.

Campari returns to profit and plans £2.3m rights

AFTER INCURRING losses in each of the previous three years, Campari International has swung back into the black with pre-tax profits of £1.78m for the year to November 30 1986. The recovery started in the second half of the previous year, and continued throughout the next 12 months. At halfway its losses were greatly reduced from £1.2m to just £95,000. Losses in the previous 12 months totalled £494,000.

This importer and distributor of leisure, camping and boating equipment, is now proposing a one-for-six rights issue to raise £2.3m net. A total of 1,432,243 new ordinary shares at 20p will be offered at a price of 170p, payable in full on acceptance.

The new ordinary shares will not rank for the final dividend in respect of the year to November 30 1986, but they will, when fully paid, rank pari passu in all other respects with the existing issued ordinary shares.

Irrevocable commitments to take up entitlements have been received in respect of 632,729 (44.2 per cent) of the new ordinary. The remainder has been underwritten by Arbuthnot Latham Bank. Stockbrokers to the issue are Earnshaw Haes & Sons.

The final dividend is raised from 0.5p to 2.5p for a total of 3p net (1p). Stated earnings per 20p share were 19.5p (6.17p loss) on a net basis, and 20.63p (5.81p loss) on a nil basis.

Group turnover rose from £28.2m to £30.96m.

Manders 18% up to record £5.1m

HIGHER SALES and improved productivity enabled **Manders (Holdings)** to report record pre-tax profits—up 18 per cent from £4.3m to £5.1m—in 1986. The final dividend is raised from 6p to 7.2p for a total of 10p net, against 8.1p, an increase of 23.5 per cent. Stated earnings per share improved from 17.8p to 20.6p.

The major source of the increased profits came from the UK decorative division.

Group turnover rose from £49.32m to £53.82m. Operating profits by division: UK paint and printing ink £2.42m (£1.71m); overseas printing ink £608,000 (£357,000), and property £2.55m (£2.08m). Interest took £689,000 (£137,000 received), and there was an exceptional credit this time of £178,000.

Boustead back in profit as second half recovers

Boustead, a financial holding company with operations in the UK, Singapore and Brunei, is back in the black after incurring losses since 1982. There is also a return to the dividend list with 0.1p.

After another poor first half of 1986, the second six months saw a sharp turnround with an improvement of £548,000 so that the full year's results showed a pre-tax profit of £380,000 compared with the loss of £3.12m for 1985, after allowing for exceptional items of £184,000 which arose from company restructuring.

Boustead has been selling loss-making operations and reorganising other sectors. There is still more to come. Mr R. T. Macpherson, the chairman, said: "I firmly believe that results in the current year will show a significant improvement."

Changes of personnel at the top both in UK and Singapore have been effected and there is further strengthening of the board planned with intended appointments of Mr Robin Bailey, of Standard Chartered, and R. J. Altham of Rio Tinto-Zinc to the board.

About one-third of Boustead's operations can be attributed mainly to light engineering in the UK and the remainder from Brunei (motor trading) and Singapore, where it is heavily involved in service industries such as transportation, servicing of shipping, travel and travellers cheques.

Turnover last year was £38.85m (£48.19m) and group operating profit was £884,000 (loss of £887,000). Exceptional items took £184,000 (£2.29m); investment income was down at £238,000 (£863,000), interest payable was £539,000 (£1.15m) and share of profits of associated companies was £181,000 (£348,000).

Tax took £212,000 (£72,000) and minorities £26,000 (£1.37m credit) leaving profits of £142,000 (loss £1.92m). The corresponding figures for 1985 have been restated to take account of the deconsolidation of Boustead Davis (Metal Brokers).

Earnings per share were 0.38p (loss 5.12p).

Interlink expansion in US

BY LYNTON McLAIN

Interlink Express, the parcel delivery company which joined the Unlisted Securities Market in October with a market capitalisation of more than £25m, is considering a future purchase of a small US parcels company, as a first step in the possible formation of a nationwide franchise parcels operation in the US.

Interlink Express has instructed a US consultancy, Francorp, to do research into US franchise law over the next four to five months, as a prelude to a possible company acquisition.

Mr Richard Gabriel, the chairman and managing director of Interlink Express, said yesterday (Monday) the company had "nobody in mind and there was no way, no remote suggestion that we are to make an offer for Purolator Courier corporation of the US."

"I doubt we would be in a position to make a bid for the corporation. This would be almost impossible. The sum of money needed is too big and finding the money in the timescale would be difficult," Mr Gabriel said. Interlink Express has had no talks with Purolator Courier.

UK COMPANY NEWS

Blackwood Hodge profits rise 23% to £8.8m

At £8.8m pre-tax profits of Blackwood Hodge, the earth-moving and mining equipment company, were just short of best hopes but showed a 23 per cent improvement over 1985's £7.2m.

Profit growth would have been even better, said the chairman, Mr Arthur Richards, if certain overseas currencies had not weakened against sterling during the year.

Mr Kenneth Scobie, managing director, reported that turnover and operating profit of overseas companies improved by 25 per cent and 20 per cent respectively in local currency terms wheras the main operating subsidiary in the UK experienced a reduction in sales and profits due to a downturn in the market for its products.

Plans to increase sales of both parts and service were showing promising results he said. These two activities which represented approximately 50 per cent of turnover were vital contributors to the group's long term profitability.

In the UK domestic turnover increased to £37m of which £4.6m was accounted for by Talbot Diesels, acquired in November 1985. Export activity was well down with a 30 per cent fall in sales to £18.7m. These factors caused a reduction of 38 per cent, from £2.09m to £1.29m in the UK operating profit.

The Australian company, Mr Scobie continued, enjoyed another sucessful year with, in local currency terms, turnover improved by 30 per cent and operating profits by 19 per cent —in real terms operating profits were down from £3.04m to £3.03m.

On the same basis, Canada increased turnover by 25 per cent and operating profits by 32 per cent—up from £3.82m to £4.5m actual—while African subsidiaries' turnover showed a 16 per cent improvement and operating profits increased by 6 per cent—although down from £3.19m to £2.69m actual.

The Rest of the World performed well with turnover and profits up by 25 per cent and 23 per cent respectively in local currencies. The improvement in operating profit here was from £939,000 to £1.23m.

Total group turnover in 1986, some 73 per cent of which comes from overseas activities, amounted to £204m (£198m) while operating profit was down from £13.18m to £12.76m after an increase from £145m to £151m in cost of sales and a slight rise from £40m to £41m in administrative expenses. Investment income was £1.68m (£1.72m) while interest payable was down from £7.74m to £5.61m.

UK tax was up from £39,000 to £363,000 and overseas from £1.13m to £1.48m; minority interests took £898,000 (£517,000).

Stated earnings per share, adjusted for the August 1986 two-for-five rights issue were 6.18p (6.56p). As forecast the final dividend is 0.5p making 1p (nil).

● comment

If there's one thing worse than paying tax it is having to write-off allowable expenditures because one is not earning or paying out enough to cover them — this, taken together with a £2.1m negative currency effect, is the sad fate of Blackwood Hodge. The present UK construction boom has not benefited the company which depends on heavy earth moving jobs rather than the lighter end of building activity. Acting as a distributor of other company's products has its advantages—Japanese manufacturers are happy to have Blackwood holding their inventory at next to no interest charge in order to show better sales than would otherwise be the case. However, this is a short-term expedient and Blackwood's problem is the lack of a solid UK earnings stream, for tax and other purposes. Forecasts of £10¼m produce a fully diluted prospective multiple of 8 at 52½p. This rating suggests that only a private company might take the paper and with 75 per cent gearing that's really all Blackwood has to bargain with.

Lower metal prices hit Amari results

Amari, metals and plastics stockholding, distribution and processing group, reported a fall of 16 per cent in pre-tax profits for 1986. Lower metal prices and increased finance charges, resulting from acquisitions, were blamed.

Turnover improved from £160.47m to £178.1m but profits fell from £7.24m to £6.07m. Earnings per share fell by 5p to 11.1p.

However Mr Michael Ward Thomas, chairman, said to underline the group's confidence in the future the directors were proposing to increase the final payment to 3.5p (3.2p), making a total of 6.5p, against 6.2p.

"During a year in which the dominant feature of our trading environment has been a further erosion in the prices on the metals which we handle the group has been able to carry out an extensive programme of expension and investment. Sales and profits seen in this context confirm my belief in the quality of the group," he said.

The pre-tax figure was struck after interest costs approximately doubled to £1.6m. The tax charge was £2.14m (£2.41m) and minorities took £251,000 (£164,000).

There was an extraordinary credit of £373,000 (£1.91m) being deferred consideration for Century Aluminium less a loss incurred on an investment in a related company.

Directors said that a significant programme of acquisitions had been completed which together with the continuing development of existing operations should expand the group greatly. Important steps had also been taken to develop the value added areas of the business.

Three acquisitions had enabled Amari to become market leader in the distribution and processing of stainless steel plate.

● comment

Amari takes a more or less fixed margin on the metals it supplies, so the sharp fall in prices in 1985 and a further deterioration last year have impacted directly on its pre-tax result. The other main factor has been the cost of acquiring related businesses whose debts have been consolidated into group borrowings and taken the figure up to nearly 50 per cent of shareholders' funds. Amari's strategy is to move out of the more cyclical commodity and of the distribution business into higher value added products such as stainless steel tube, nickel alloys and industrial products, especially in the US. One day the strategy may bear fruit, but it will not be this year: in the short term, shareholders can probably expect little more than £7m pre-tax for 1987 and virtually static earnings after the rights dilution. With the shares down 5p at 142p, both the 6.5 per cent prospective yield and longer-term optimism seem to have been discounted in the current year multiple of nearly 13.

Emess hits £4.3m and sees further progress

Emess Lighting, which last year lost its battle to take over Rotaflex but which last month won acceptance for its £42m offer for Tenby Industries, yesterday revealed that its 1986 profits had risen from £3.38m to £4.31m at the pre-tax level.

The directors said the current year had started buoyantly. They anticipated a significant increase in decorative lighting profits and good progress from the commercial side.

Turnover for 1986 pushed ahead from £30.68m to £38.15m. After tax of £1.5m (£1.36m) earnings worked through 4.4p ahead at 18.6p.

A final dividend of 4p raises the total from 5.5p to 6.3p net on the enlarged share capital. Both the dividend and earnings were ahead of the forecast made by the group last April.

The directors said the outlook for the decorative lighting side was buoyant and that they anticipated a significant increase in the division's profits for 1987.

On the commercial lighting side, the Marlin offshoot improved its margins to 13 per cent, reflecting improved manufacturing efficiency together with initial benefits of an improved product portfolio.

They added that following consolidation of Tenby Industries, Emess' net assets would increase by 50 per cent to £22m.

● comment

Having been battered when the group failed to take over Rotaflex, shares in Emess have bounced up following the Tenby purchase, which still has £12m of useable tax losses. Although yesterday's figures were no surprise, as they matched the forecast made during the Rotaflex bid, the shares now stand at 394p, 100p above their January level. Mr Meyer tries to make the best of even his worse moments—he has lured a Rotaflex executive to take over Marlin, the lighting group which has so far been slow to respond to treatment since it was first bought in 1985. That should reap some benefits and adding in Tenby puts the pre-tax profits target for this year at around £8m. The new strategy will be to concentrate on the potential linkage between electoral accessories and lighting and to play down some of the peripheral activities like distribution. But the run in the share price seems to discount the potential for progress and the prospective p/e looks high enough at 14.

Johnsen & Jorgensen's record £1.3m

Johnsen & Jorgensen Packaging, the USM quoted manufacturer of plastic and glass containers, reported record results for 1986 with pre-tax profits rising from £1.13m to £1.31m.

Mr John Jorgensen, the chairman, said that the outlook for the packaging businesses was encouraging

The chairman pointed out that in March this year the plastics company leased a new 50,000 sq ft factory in the Corby development zone to provide for expansion and which is scheduled to become operative towards the end of the year

Turnover in 1986 was up from £13.26m to £14.3m; tax took £497,000 (£523,000) and minorities £34,000 (£33,000) leaving attributable profits of £774,000 (£578,000).

Stated earnings per share were 11.78p (8.99p). The dividend goes up from 4.1p to 4.92p via a final of 3.57p (2.85p).

Weather holds back UDO

ALTHOUGH making good progress in the six months to January 31 1987—pre-tax profits rose by 16 per cent from £1.21m to £1.41m—Mr Terry Rutter, chairman of UDO Holdings said the results reflected some temporary disappointment.

He said that, in common with many other businesses, turnover was badly affected by the severe weather in January

Turnover of this supplier of drawing office equipment and provider of specialist reprographic services, rose from £9.77m to £12.21m. The interim dividend is raised from an adjusted 0.5p to 0.6p, and stated earnings per 10p share improved by 22 per cent from 3.6p to 4.4p.

Mr Rutter said the company was continuing its policy of diversification, both to expand and reduce dependency on any one sector. To this end, it had launched its new Siteplan division which specialised in providing a fast and efficient reprographic service to building sites across the country.

British Syphon recovers 33% after midway fall

British Syphon Industries, the industrial holding company, produced pre-tax profits 33 per cent ahead at £2.66m for 1986 and a 33 per cent increase in the dividend on the enlarged share capital after the acquisition of Marshall's Universal last May.

Syphon's interim profits to June last year took a £393,000 tumble to £806,000 after high interest charges and difficulties in the paper manufacturing division. In October it sold its drinks dispensing division to IMI, the metals and engineering group.

Turnover for 1986, which included seven months' trading for Marshall's, rose 44 per cent from a restated £76.5m to £110.12m.

Mr Bryan Morrell, chairman, said the continuing reorganisation of the group's paper manufacturing activities was beginning to produce results.

Tax took £642,000 (£239,000) and minorities £3,000 (£30,000). Earnings per share fell from 9.2p to 8p, reflecting the issue of shares for Marshall's.

Directors have recommended a final dividend of 2.33p (1.75p), making 4p for the year against 1985's figure of 3p.

● comment

British Syphon has undergone major changes in the past year. It has sold its Coldflow and Vending Centre for £9m, increased its paper making capacity from 60,000 to 100,000 tonnes a year and is now concentrating on specialist papers. Yesterday's 33 per cent pre-tax profit rise shows that this restructuring has begun to pay off. Pre-tax profits of up to £5m are forecast for this year which, at yesterday's close down 3p at 127p, gives a prospective p/e of about 11. This looks unduly pessimistic given the scope for cutting costs and increasing turnover following the acquisition of Marshall's in May and the East Lancashire Paper Group in 1985. The group has a strong management team. There is potential for growth in all divisions and an expansion of its exports could be the icing on the cake. Gearing has fallen from 116 per cent to 70 per cent but the group says it will not be making further acquisitions in the next six months, giving it, and the market, time to fully digest the changes that have been made.

Zygal Dynamics acquires Base-Sys in £3.5m deal

BY RALPH ATKINS

Zygal Dynamics, the USM quoted computer products company, is acquiring the Base-Sys Group for £3.5m. Base-Sys' main activity is operating a motor insurance software package.

Shares in Zygal Dynamics were suspended at 89p yesterday until this morning at the company's request, when shareholders should receive a circular about the deal.

The acquisition is being financed by the issue of 4.18m new shares in Zygal, or 45.5 per cent of the enlarged share capital.

Of the new shares, 1.2m will be brought to the market via a vendor placing. The remainder will be issued to the three shareholders of Base-Sys, an unquoted public company.

Two Base-Sys directors, Mr Bryan Fry and Mr Ric Palmer, will join the board of Zygal.

Mr Jonathan Firth, Zygal's finance director, said the acquisition will add software skills to Zygal's hardware expertise.

In the eight months to December, Base-Sys made an operating profit of £209,000 on turnover of £593,000. Pre-tax profits of not less than £365,000 are forecast for the year to April, 1987.

The acquisition follows the sale, in January, of Zygal Services, a maintenance and repair subsidiary of Zygal Dynamics, to Thorn EMI for £1.3m.

In the half year ended September 1986, Zygal reported pre-tax profits of £206,000 compared with a loss of £77,000 in the same period in 1985.

BOARD MEETINGS

TODAY

Interims—AB Electronic Products, C. H. Beazer, Maxipoint.

Finals—Anglo Eastern Plantations, Arcolectric, Baillie Gifford Technology, Blockleys, Bunzl, Christies International, Combined English Stores, Debfor, Evans Halshaw, Gaskell Broadloom, Geest, Goal Petroleum, Grampian Holdings, IMI, Jove Investments, London and Edinburgh Trust, London and Scottish Marine Oil, Albert Martin, NMW Computers, Peek Holdings, H. & J. Quick, Scottish Heritable Trust, Senior Engineering, Telfos, Turriff Corporation, Wilson (Connolly), Worcester Group.

FUTURE DATES

Interims—		
Kent (John)	Apr	8
Portland Holdings	Apr	6
Finals—		
Bowater Industries	Apr	8
Brammer	Apr	6
Burmah Oil	Apr	9
Lamont	Apr	8
M Y Holdings	Apr	1
Mustarlin	Apr	2
Pearl	Apr	15
President Entertainments	Apr	9
Renwick	Apr	6
Scanro	Apr	2
Sherwood Computer Services	Apr	2
Travis and Arnold	Apr	8

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Quentin Peel on opening shots in the annual Brussels battle

Scene set for farm price marathon

MR IGNAZ KIECHLE, West Germany's fighting Farm Minister, yesterday launched a furious attack on the European Commission's tough package of price cuts and production controls, setting the scene for a prolonged and bitter price-fixing marathon in the coming months, and the ultimate prospect of deadlock.

He flatly rejected the price proposals, and plans to restrict the use of intervention purchases of crops, as "completely unacceptable."

But he reserved his final condemnation for the Commission's plan to scrap all positive monetary compensatory *amounts (MCAS)—export subsidies* and import taxes—in the strong currency economies of West Germany and the Netherlands. That, he declared, was simply not even a basis for negotiation.

Mr Kiechle's full-frontal assault was certainly not unexpected—it was foreshadowed in a personal letter from Chancellor Holmut Kohl to Mr Jacques Delors, the Commission president. But it raises from the very start of the annual negotiations the spectre of a German veto on the outcome.

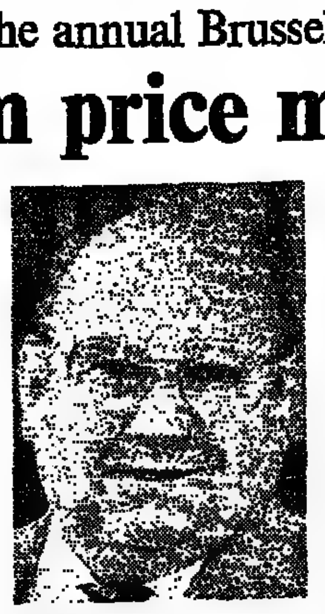
The Farm Ministers were launching their very first debate on the price package yesterday —only two days before the new season is supposed to begin. As a result, the prices from 1986 will simply be carried forward until a new agreement is reached—probably in late May or even June.

Mr Frans Andriessen, the EEC Agriculture Commissioner staunchly defended his package, but his only real supporters *among the Ministers* were Mr Michael Jopling, of Britain, and Mr Gerrit Braks, of the Netherlands.

Mr Andriessen said the price proposals could not be separated from the plight of the EEC budget, with a likely deficit in the current year of Ecu 3.9bn (£2.7bn), because of the soaring cost of export subsidies at the time of a falling dollar.

If all the Commission's proposed price cuts and restrictions were accepted, *he said,* that deficit would still be between Ecu 2.4bn and Ecu 2.8bn—far exceeding the cash within the current limit on budget contributions from the EEC member states.

Mr Andriessen said the proposals *for* MCA changes, and green currency adjustments, were inseparble from the over-



Mr Ignaz Kiechle . . . package "completely unacceptable

all price package: green currencies are what dictate the final prices paid to farmers in national currencies.

The present system of freez*ing positive MCAs and creating* only negative MCAs results in artificial price increases for farmers in weak currency countries, he said.

Gentlemen's agreements by Farm Ministers in 1979 and 1984, not to reduce positive *MCAs if it meant cutting farm* incomes, could not be relevant in the current budget crisis.

Mr Kiehle claimed that the whole package, and above all the MCA changes, singled out West Germany for the vast burden of suffering, and was a complete denial of the principle *of solidarity* between the member states. The MCA plan would result in a 10 per cent cut in German farm incomes, he claimed.

Mr Michael Jopling, the British Farm Minister, provided *one of the few supporting voices* for Mr Andriessen.

He gave broad support to the price proposals—although he thought they could be even tougher in some sectors, like olive oil, soyabeans, cotton and tobacco. He strongly supported the *idea* of *reinforcing* the present system of guarantee thresholds, cutting prices once production exceeds a certain quantity.

The one major bone of contention for the UK—supported by West Germany, the Netherlands, Denmark and Portugal—is over the Commission's proposal for an oils and fats tax.

The plan has already aroused fury from the major suppliers of soyabeans (the US) and palm oil (Malaysia, Indonesia and *others.*) It also amounts to a tax on consumers for which it is strongly criticised.

Cocoa pact 'unlikely to lift prices'

THE BUFFER stock rules agreement reached on Friday by the International Cocoa Organisation (ICCO) is an improvement on previous arrangements but the price-support mechanism is unlikely to do more than stem the decline in cocoa prices, according to many ICCO delegates and traders, reports Reuters.

The accord was reached between producers and consumers of the 35-member ICCO council after two weeks of talks at the organisation's London *headquarters.*

European chocolate manufacturers and delegates said the accord may boost cocoa prices immediately, but world surpluses overhanging the market will pull them down again before long.

"If the buffer stock operation is successful, I doubt it will do anything more than stop the price from falling further, "a European dealer said.

And *if* the buffer stock manager delays too long in buy*ing, or is not* seen to be using his purchasing power when the market is relying on him to do so, the bearish trade reaction could pressure prices.

India's edible oils problems continue

BY P. C. MAHANTI IN CALCUTTA

DESPITE A better 1986/87 oilseeds crop of about 1.3m tonnes, up from 1.15m tonnes in 1985/86, India will continue to pursue a liberal edible oils import policy to satisfy the country's growing requirements.

Traders estimate that edible oils imports this year may reach 1.15m tonnes, against an annual average of 1m tonnes, because of the current unrestricted policy.

Midway through 1986/87 *India halted edible oil imports* because of balance of payments pressures. But as supplies became tighter prices shot up, leading to an abnormal increase in the cost of living index. The government was then forced to reverse the policy and liberalise imports. With a greater flow of imports and higher domestic output prices have started coming down.

India is capable of achieving self-sufficiency in oilseeds and growers have been exhorted to produce more. But output has stagnated around 1.2m tonnes during the past five years.

Prices of other agricultural commodities have been more at*tractive for growers than those* for oilseeds so only marginal land serviced by poor irrigation facilities is devoted to them; more productive land is generally used for growing wheat and rye.

The Government is now mak*ing a serious effort to get as* near self-sufficiency in oilseeds as possible during the current five-year plan, ending in 1989-90. An annual growth target of 7.5 per cent has been set, which, if fulfilled, tak e production to 1.8m tonnes by the end of this *decade. But the targets have not* been achieved so far and the 1986-87 output, though better than the previous year's, is still way below the year's target of 1.45m tonnes.

In order to quicken the pace during the remaining three years of the five-year plan the Government has set up a technology mission for oilseeds ing various measures being which is co-ordinating and guidtaken at different levels.

A more attractive set of minimum prices have been announced for the 1987-88 season weather the oilseeds crop in about to begin and with good the new season should be better.

Tin price forecast to stay low

By Stefan Wagstyl

TIN PRICES could stay below £5,000 a tonne for several years, encouraging continuing decreases in operating costs, according to a report from Roskill, a London research company.

This forecast is significantly more gloomy for producers than several recent predictions made by other analysts. Roskill says producers are finding it difficult to discard the habits they developed during the 30 years that prices were supported by the International Tin Council, the inter-governmental body which ran out of money in October 1985.

Roskill says tin production in Brazil is likely to continue expanding because costs are by far the lowest in the world

Consumption is unlikely to rise by more than 2 per cent a year. Impending restrictions on the use of tin in anti-fouling paints on boats are likely to be a major setback since tin will lose its fastest-growing market, says Roskill.

Consumers who have spent years reducing their consumption are unlikely to reverse this significantly, even in response to current low prices, says Roskill. Tin faces stiff competition in packaging — for example from aluminium in cans—and needs to go through a period of stable prices before manufacturers switch to buiplate.

The Economics of Tin 1987, Roskill Information Services, 2 Clapham Road, London SW9 0J9, Price £490.

Sri Lanka fights rubber tree disease

SRI LANKA will uproot rubber trees that are more than two years old and affected by the leaf disease corynespora, the head of the Government's Rubber Research Institute said in Colombo, reports Reuter.

Mr Rodney De Mel said affected trees less than two years old would undergo base-budding—attaching a clone as close as possible to the trunk's base and cutting off the top of the tree once the bud has taken. Uprooted or base-budded trees mature later, causing an output loss estimated at 350 kgs per hectare from the sixth year when they begin producing.

About 7,000 acres (2,750 hectares) are planted with the high yielding RIC 103 variety, the clone afflicted by corynespora. But only about 2,000 acres are affected by the disease, which causes leaves to fall off, Mr De Mel said.

Sri Lanka has 508,000 acres planted with rubber trees.

Mr De Mel said the disease was detected in nurseries as early as in middle 1985, but it was only in August-September 1986 that it became widespread.

The Institute is conducting a survey to determine how many trees will be uprooted or base-budded. Healthy trees will be sprayed and remain under observation.

Mr T. P. Lilaratne, head of the Government's Rubber Controller Department, which monitors the industry, said replanting and base-budding would have to be undertaken before late May when the monsoon rains begin.

Mr De Mel said clones in the nurseries which are susceptible to corynespora will be uprooted and burned.

Mr Lilaratne said planters would receive 10,000 rupees (£216) per hectare for replanting and plants would be free of charge. "But no compensation is contemplated at the moment," he added.

In defence of 'inorganic' food

FARMER'S VIEWPOINT

By John Cherrington

THE PRESENT glut on the world's food markets is largely the result of applying fertiliser and chemical aids such as fungicides and pesticides to growing crops. Without these materials the world would probably be a much hungrier place and possibly even a less populated place. The Green Revolution, which has doubled production of cereals and other foods, would have been impossible without their use.

There is a body of thought, however, which believes that *the use of most of these* materials is wrong, and that the trace elements which their use could leave in food are harmful to health. For the sake of simplicity these could be termed organic believers in that the food they eat is produced from *soils fertilised by plant or animal* residues and other non mineral elements.

I have never seen any evidence that the use of so-called artificial fertilisers and chemical substances has injured people consuming the foods *that are grown with their aid.* That some agricultural chemicals are dangerous to human health if wrongly handled is undoubtedly true—there is plenty of evidence of that—but then so are many other substances in common use.

Neither is there any evidence that I know of to substantiate the claim that food produced organically tastes any better or is more nutritious. I will grant though that human prejudice is a powerful force that if one is persuaded that food produced in a certain way is going to be bad for one's health, one's appetite is bound to be affected.

I quite admit that I am prejudiced in this and my prejudices surfaced when reading the newly-published "*New Organic Food Guide*" by Alan Gear. In it the author, while recognising the productive achievements of modern farming, is calling for a return to the sort of farming to which I was brought up nearly 60 years ago. He depicts it as a sort of pastoral golden age with crops grown in disease-suppressing rotations and healthy animals grazing natural pastures.

This is a long way from the truth. The four-course rotation was a pretty inefficient way of keeping land free of weeds and put little fertility back without a coat of animal dung or possibly ploughing in a crop of green manure. The level of fertility was low and could only be increased otherwise by *a fallow,* a *period without crop.* I used the technique myself before some improvement it was not until I had the soil analysed and added what was missing that I got worthwhile results. I used mineral fertilisers because, although keeping a lot of stock, I did not have sufficient to manure my arable acres.

The principles of crop rotation are known to every farmer and are still followed to a large extent. Few farmers go in for absolute monoculture because *it has been known for a long* time that the best way to break attacks of disease is to vary the species of crops being grown. It was discovered, for instance, that wheat sown in successive years on the same field would develop a disease called "take-all," often in the second wheat crop. This was an apt description. The affected crop would produce white or blackened ears and the grain would be shrivelled and only fit for feeding to chickens.

Some diseases were soil borne and could be transmitted through the seed. Covered smut, for instance, would not appear until the wheat was nearly ripe, then all you got from the thrashing machine looked like crumbs of soot. To prevent *this* the *seed* was dressed with copper sulphate.

There are other seed dressings today which do the same job. I do not know if organic farming allows their use.

Spring grass, which I used to long to see after a hard winter, could be lethal to my cows and sheep. It tended to unbalance the supply of mag*nesium and calcium in the* animals and cause fits and sudden death. Nor did the grass have to have been stimulated by dressings of nitrogen. I saw it first in Argentina, where no fertiliser were ever used, and suffered it here on unfertilised land. The early cures were calcium and magnesium injections. Now I feed a ration which includes calcined magnesite, which I notice Mr Gear proscribes — but on what grounds?

Milk borne tuberculosis and undulant fever, the latter the human variant of the abortion virus, were very common in the dairying districts. Compulsory pasteurisation contained them and vaccination and elimination by slaughter improved the health of the flocks and herds beyond all previous knowledge.

I have my doubts about slavish adherence to the nostrums dispensed by the fertiliser and chemical industries as I do about the professions of all the other suppliers. Their wares are all expensive and the art of using them is in restricting the amounts applied to the minimum, while at the same time making sure of a margin of prot.

This is what I doubt I would achieve if I went in for organic farming, as defined by Mr Gear, at present prices. Most organic yields I have seen quoted are about half what I need to live on and I would have to be very sure that those who eat organic foods would make up the difference.

The New Organic Food Guide, by Glan Fear, Dart, £3.95.

LONDON MARKETS

THE TIDE of concern about an approaching supply squeeze on the London Metal Exchange copper market ebbed again yesterday, and prices lost some of last week's gains. Dealers said there was freer "lending" (selling cash and buying forward) which was reflected in a narrowing of the cash premium over the three months position. Cash Grade A copper closed £6.50 down at £944.50 a tonne, while three months metal fell only £3.25 to £902.25 a tonne. There was little response to the announcement of a large fall in LME warehouse stocks last week—down 13,250 tonnes to 123,500, the lowest level since early May, 1986. Dealers said the fall was in line with general expectations and that the bulk was believed to represent shipments to Brazil and the Fr East. The LME lead market was also weak, down £7.25 to £305.25 a tonne in the cash position. But cash aluminium closed £7.50 up at £860.50 a tonne, encouraged by Friday's breaching of a dollar-based resistance level. A sizeable fall in LME stocks last week, had already been mostly discounted, dealers said.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 862-2.5

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	860-1	+7.5	863/862.5
3 months	810.5-11	+4.5	812/807

(848-9), three months 808-8.5 (801.5-2), settlement 862.5 (848). Final Kerb close: 806-7. Turnover: 6,700 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	944-5	—6.5	959/942
3 months	902-2.5	—3.25	904/899.5

Official closing (am): Cash 955-6 (958-9), three months 902-3 (903-3.5), settlement 956 (959). Final Kerb close: 899-900.

Standard			
Cash	872-6	—6.5	—
3 months	876-2	—3.5	881

Official closing (am): Cash 872-5 (875-80), three months 879.5-81 (883-4), settlement 875 (880). US Producer prices 67.75-71.5 cents per lb. Total turnover: 38,150 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	305-5.5	—7.25	307/305
3 months	299.5-300	—3.25	301/300

Official closing (am): 304.5-5 (312.75-3), three months 300-0.5 (303-3.25), settlement 305 (313). Final Kerb close: 299-300.

Turnover: 9,525 tonnes. US Spot: 24-27 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2335-40	+2.5	2340
3 months	2351-55	+0.5	2360/2350

Official closing (am): Cash 2335-40 (2325-30), three months 2352-3 (2340-1), settlement 2340 (2330). Final Kerb close: 2350-5.

Turnover: 348 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 18.81 (18.81) ringgit per kg. No change.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	466-6.5	+4	466.5
3 months	464-5	+2.75	470/460

Official closing (am): Cash 466.5-7 (463-4), three months 462.5-3 (459.5-60), settlement 467 (464). Final Kerb close: 466-6.

Turnover: 13,400 tonnes. US Prime Western: 37.5-44 cents per lb.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

	(tonnes)
Aluminium	—9,675 to 107,300
Copper	—13,250 to 123,500
Lead	—1,625 to 23,450
Nickel	—618 to 3,912
Tin	—110 to 30,695
Zinc	+1,150 to 28,950
	(ounces)
Silver	+16,00 to 21,818,000

GOLD

Gold rose $7 an ounce from Friday's close in the London bullion market yesterday to finish at $423½-424, its best level since October last year. The metal opened at $425½-526¼ and traded between a high of $425¾-426½ and a low of $420½-421. The firmer trend was principally a reflection of the dollar's sharp fall but it finished below its best level as profit taking developed during the afternoon.

GOLD BULLION (fine ounce)		Mar. 27
Close	$423½-424	(£263-263½)
Opening	$425½-426¼	(£263¾-264½)
M'n'g fix	$421.60	(£261.695)
Aft'n'n fix	$424.00	(£263.109)

GOLD AND PLATINUM COINS		
Am Eagle	$435-440	(£270-274½)
Mapleleaf	$435-438	(£270-272)
Kr'g'r'nd	$427½-430½	(£265½-267¼)
½ Krug	$225-224	(£138½-139)
¼ Krug	$213½-213½	(£132-132½)
Angel	$433-438	(£268¼-270)
1/10 Angel	$44-49	(£27¼-30½)
New Sov.	$101-102	(£62¾-63¼)
Old Sov.	$101½-103	(£63-64)
$ 20 Eagle	$510-560	(£316¾-347¾)
Noble Plat	$583-592	(£362-367½)

SILVER

Silver was fixed 15.9p an ounce higher for spot delivery in the London bullion market yesterday at 387p. US cent equivalents of the fixing levels were: spot 622.9c, up 26.9c; three-month 622.9c, up 28.9c; six-month 642.6c, up 27.65c; and 12-month 662.9c; up 29.05c. The metal opened at 391½-393½p (632-634c) and closed at 393-393p (630-632c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	387.00p	+1.90	390.5p	+9
3 months	396.35p	+1.25	400p	+10
6 months	405.15p	+1.85	—	—
12 months	423.05p	+1.85	—	—

LME—Turnover: 10 (31) lots of 10,000 oz.

Three months final kerb 399-401p.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.25p per kg lw (+0.40). GB—Sheep 225.97p per kg est dcw (+14.44). GB—Pigs 80.45p per kg lw (—0.40).

FUTURES—Live cattle: Oct 96.00, sales 5.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing March 23 amounted to 474 tonnes against 1,952 tonnes in the previous week. Fair operations were seen with dealings in Pakistani, Russian, Chinese, Colombian, Paraguayan and West African growths.

INDICES

REUTERS

Mar. 30	Mar. 27	M'th ago	Year ago
1539.5	1536.8	1586.5	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 27	Mar. 26	M'th ago	Year ago
Spot	116.04	115.27	—	—
Fut	115.50	114.82	—	—

(Base: September 18 1931=100)

MAIN PRICE CHANGES

	Mar. 30 1987	+ or —	Month ago
METALS			
Aluminium Free Market	$1395/1415	+5	$1400/1450
Copper Cash Grade A	£944.5	—6.5	£995.5
3 mths	£902.25	—3.25	£906.75
Gold Troy oz	$423.75	+7	$405
Lead Cash	£305.25	—7.25	£295.5
3 mths	£299.75	—3.25	£292.75
Nickel Free Mkt	170/180c	+1.5	172/192c
Palladium oz	$130.25	+1.95	$117.35
Platinum oz	$568.50	+5	$521.75
Quicksilver†	$205/215		$180/185
Silver troy oz	387.00p	+15.90	348.55p
3 mths	396.35p	+15.25	357.75p
Tin free Mkt	£4235/258	+10	£4510/350
Tungsten	$47.08		$44.51
Wolfram 22.04lb	$48/52		$40/48
Zinc	£468.25	+1	£471.5
3 mths	£464.5	+2.75	£466.25
producers	$790		$775/780
OILS			
Coconut (Phil)	$395x	+5	$375
Palm Malayan	$330y		$380
Seeds			
Copra (Phil)	$250v	+10	$260
Soyabean (U.S.)	$156		$137
GRAINS			
Barley Fut. Sept	£99.75	+0.15	£116.05
Maize	£142.75	+0.25	£145.50
Wheat Fut. July	£123.70	+0.70	£118.50
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1298.5	—4	£1326.5
Coffee Ft. May	£1278	+1	£1499
Cotton A Ind.*	62.95c		64.50c
Gas Oil May	$146.25	—0.25	$125.6
Rubber (kilo)	60p		60.5p
Sugar (raw)	$173.5x	—7.5	$205
Wooltops 64s	458p kilo	+15	428p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v April. z March-April. x April-May. y May.

COFFEE

Robustas traded in light and thin *conditions* on a generally featureless day, reports Drexel Burnham Lambert. Despite an upcoming ICO executive board meeting and the rumours of a possible grading of Brazilian registrations the market confined itself to recent ranges

COFFEE	Yesterday close	+ or —	Business Done
Mar	1255-1265	+7.0	1260-1250
May	1276-1280	+1.0	1285-1273
July	1285-1288	—5.5	1297-1285
Sept	1301-1305	—3.0	1314-1300
Nov	1325-1332	—1.5	1338-1328
Jan	1355-1365	+7.5	1369-1355
Mar	1365-1375		1375

Sales: 1,808 (2,365) lots of 5 tonnes. ICO indicator prices (US cents per pound) for March 27: Comp. daily 1979 99.87 (99.86); 15-day average 100.46 (100.44).

COCOA

During a quiet day futures traded in a narrow range and closed at the lows. *Physicals* also failed to excite either producers or consumers and only light secondhand interest was seen, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
March	1270-1277	—7.0	1278-1274
May	1298-1299	—4.0	1305-1296
July	1326-1327	—3.0	1332-1328
Sept	1347-1348	—	1352-1347
Dec	1375-1376	+2.0	1380-1375
March	1397-1398	—1.0	1404-1398
May	1417-1419	+0.5	1424

Sales: 2,810 (4,852) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for March 27: 1662.38 (1673.04); 10-day average for March 30: 1663.04 (1661.72).

POTATOES

The market opened very nervously and traded in light volume before erratic buying pushed values up £2.10 from the previous close, basis April. With little fresh news and no real direction the market eased back before buying lifted prices again, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	166.50	165.70	167.50-165.00
May	185.00	184.30	188.00-182.00
Nov	95.50	95.00	95.50-95.00
Feb	105.50	104.50	—
Apr	130.00	129.50	131.50-129.50

Sales: 702 (702) lots of 40 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $173.50 (£107.50), down $7.50 (up £5.00) a tonne for April-May delivery. White sugar $195.50, down $3.50.

No. 6 Contract	Y'sterd'ys close 19.00 BST	Previous close	Business done
	$ per tonne		
May	153.8-154.0	151.4-151.8	156.8-152.8
Aug	157.6-158.0	155.6-156.0	159.4-157.4
Oct	160.8-161.0	158.4-158.8	164.2-160.8
Dec	163.4-164.0	158.6-161.8	167.6-165.4
Mar	168.8-169.2	166.6-167.6	172.6-169.8
May	171.9-173.8	170.6-170.8	172.8-172.0
Aug	176.0-176.8	172.8-175.8	175.8-176.8

Sales: 4,385 (3,482) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £212.00 (£215.00) a tonne for export.

PARIS—(FFr per tonne): May 1161-1165, Aug 1182-1184, Oct 1210-1212, Dec 1232-1245, March 1265-1275, May 1295-1310.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for March 27: Daily price 6.86 (7.09); 15-day average 7.51 (7.60).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
June	115.5-115.8	+0.25	114.5
August	108.5-109.0	—0.50	—
October	109.5-110.0	—0.50	—
Dec	111.5-113.0	—0.25	—
Feb	115.5-117.5	—	115.0
April	118.5-119.5	—	—

Sales: 180 (512) lots of 20 tonnes.

FREIGHT FUTURES

The market was contained in a very narrow range due to a lack of participation in trading. After opening slightly higher levels tailed off following the announcement of a 0.5 point decline in the BFI. Thereafter further losses were registered, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	1025	1030/1025	1019/1025
July	865	873/865	858/860
Oct.	925	935/925	920/925
Jan.	920	935/930	925
Apr.	935/975	—	935/995
July	790/830	—	790/830
Oct.	920/950	925	880
Jan.	910/940	—	890
BFI.	991	—	991.5

Turnovr: 320 (517).

Cameroon sets an example in self-sufficiency

BY JOHN MADELY, RECENTLY IN CAMEROON

THE WEST AFRICAN country of Cameroon is one of a small number of African states to buck the trend of food shortages and rising imports and achieve food self-sufficiency. While most of *Africa is now less self-*sufficient in food than 10 years ago, Cameroon has moved firmly the other way.

Its success lies in actually doing what all African countries are pledged to—giving priority to the agricultural sector and incentives to the farmer.

In the 1970s Cameroon was estimated to be less than 70 per cent self-sufficient in food but the last 10 years have seen substantial increases in output, especially in basic foodstuffs. Output of major crops, such as maize, yams and potatoes, has nearly doubled.

Pockets of hunger still exist among the population of 10m but recognition of the country's self-sufficiency was seen recently when the World Bank made a $17.8m loan for agricultural research, which, it said, was expected to "help maintain Cameroon's self-sufficiency in food."

While development efforts in Cameroon are helped by generally adequate rainfall, and export earnings from oil, the underlying reasons for success are policy decisions which could be taken by any government.

Under the country's Fifth Development Plan, from 1981 to 1985, around a quarter of the national budget was invested in agriculture and rural development—twice as high as the average for Africa as a whole. This level is expected to continue under the current development plan.

The money at the disposal of the Ministry of Agriculture means that farmers can be given incentives to produce and has allowed for some innovative work in bringing the benefits of agricultural research to farmers' fields.

In this Cameroon has made good use of the technologies developed at the International Institute of Tropical Agriculture (IITA) based in Ibadan, Nigeria.

A deliberate attempt has also been made to help women farmers, who grow the bulk of the country's food, with inputs, credit and improved storage facilities. Most of the country's food is grown on farms averaging 2 hectares in size.

Rather than fixing higher prices—food is all traded on the market—the Government helps farmers to have access to new technologies and improved farming practices and sells them fertiliser at half price, enabling them to see the prospect of higher yields and incomes.

Special attention has been paid to regions where food output was low, to try to release their potential. This regional *policy has paid off, especially* in the once neglected north-west of the country. The $44m North-West Rural Development Project, launched in 1981, has helped to achieve a near 50 per cent rise in food output in the region.

The project is funded by Cameroon's Ministry of Agriculture with help from aid agencies, including $12m from the UN's International Fund for Agricultural Development (Ifad) which specialises in help*ing small farmers to grow more* food.

With the use of "adaptive research," the project has been successful in adapting pure research to make it useful for the farmer.

In co-operation with IITA, Cameroon's Institute of Agricultural Research has, for example, developed 15 different varieties of maize. These new varieties are tested at 10 trial and demonstration centres, situated throughout the north-west region, to find the right seeds and combination of crops for each area; this allows for modern research to be adapted to local needs.

The results go out as recommendations, through trained village extension staff to farmers in each area. "We discovered that farmers are very ready to accept advice when they see the prospect of definite benefits," said Mr Jon Parkinson, the project's extension and training adviser.

Some 6,000 female maize growing farmers who have already accepted advice have increased their yields from 1.6 to 3 tonnes per hectare. They are also earning extra money by using improved storage techniques for their maize and and potatoes.

Bottlenecks in the north-west project have sometimes been caused by its own success. Fertiliser, seeds and tools are not always available in the quantities demanded. All fertiliser is imported.

Unlike food crops, export crops in Cameroon are purchased by government bodies at fixed rates which many farmers believe are too low, especially for coffee and cocoa.

Coffee farmers receive less than 500 CFA francs a kilo, under £100 a tonne, against a world coffee price of £1,500 a tonne. Despite the introduction of higher yielding java coffee plants, exports are stagnant at around 2m 60-kg bags a year. Cocoa output is likely to be the same in 1986-87 as it was six years ago, around 120,000 tonnes.

An ironic twist in Cameroon agriculture is that many farmers in border areas have benefits from shortages in neighbouring countries—they have had an additional incentive to produce and export food, unofficially, over their borders.

The extended time gap between the UK and the US means that for this week only, closing US commodity markets will not be available in time for inclusion in the first edition of the Financial Times. For the remainder of this week first editions will carry this information a day late.

GRAINS

After a nervous start old crop wheat rallied on stop-loss buying and speculative trading to new contract highs. New crops found trade buying against early country hedge selling pressure and finished steady on consumer and shipper support, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close £ per tonne	+ or —	BARLEY Yest'rdy's close £ per tonne	+ or —
May	121.70	+0.55	113.95	—0.10
July	123.70	+0.70	—	—
Sep.	101.10	+0.15	99.75	+0.15
Nov.	103.25	+0.25	102.20	+0.25
Jan.	105.75	+0.25	104.50	+0.25
Mar.	108.35	+0.25	106.85	+0.25

Business done—Wheat: May 121.70-20.95, July 123.85-3.50, Sept 101.20-1.10, Nov 103.25-3.15, Jan 105.75, Mar 108.35-8.30. Sales: 421 lots of 100 tonnes. Barley: May 114.05-3.95, Sept 99.70, Nov 102.20-2.15, Jan and Mar untraded. Sales: 28 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: Eastern 112.30, Scotland 112.80. The UK monetary coefficient for the week beginning Monday, April 6 (based on HGCA calculations using 4 days' exchange rates) is expected to remain unchanged.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent April/May 96.25, June 95.50, July 95.75. US No 2 soft red winter June 92.25, July 89.25. French 11½-12 per cent March 146.25. English feed fob April 122.00 paid east coast, April/June 123.00-124.00 buyer/sellers, Sept 103.00, Oct/Dec 106.00, Jan/March 102.50 buyers. Maize: US No 3 yellow/French transhipment east coast March 142.75. Barley: English feed fob April 116.00 buyer English/ Scottish, 116.00-117.00 buyer/sellers. English, Aug 100.00, Sept 102.00 sellers, Oct/Dec 105.00, Jan/March 108.00 buyer.

OIL

Crude oil prices weakened slightly in an extremely thin market. May WTI opened 9c down on Nymex and traded 8c down at 1.30 pm EST. The petroleum products markets were very uiet. Prompt gas/oil was stable to slightly firmer in quiet trade. Naphtha and fuel/oil were quiet. Gasline firmed on good buying interest—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.10-17.30*	—0.025
Brent Blend	18.20-18.30	—0.125
W.T.I. (1pm est)	18.55-18.60*	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	195-197	+0.5
Gas Oil	146-148	n/a
Heavy fuel Oil	102-103	—0.5
Naphtha	170-173	—

GAS OIL FUTURES

Month	Yestrdy's close US $ per tonne	+ or —	Business Done
Apr	147.00	—0.25	148.25-46.75
May	146.25	—0.25	146.50-45.75
June	145.50	—0.75	146.50-45.50
July	145.50	—0.50	146.25-45.55
Aug	146.00	+2.50	—
—			

Turnover: 1,139 (2,827) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or —	Business Done
Apr	102.75	—0.25	—
May	96.50	+1.50	96.50
June	—	—	—

Turnover: 1 (27) lots of 100 tonnes.

RUBBER

PHYSICALS—The market opened unchanged, attracted little interest throughout the day and closed neglected, reports Lewis and Peat. Closin, prices (buyers): Spot 60.00p (same); May 61.50p (60.75); June 61.00p (60.25p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 229.0 (228.5). SMR 20 193.5 *(same).*

FUTURES—Index 592, May 585-600, June 585-600, July/Sept 585-600. Sales: Nil.

TEA

There were 40,226 packages on offer in the London tea auction, including 7,190 packages in the offshore section, reports the Tea Brokers' Association. Demand was more limited and very selective. Brighter Assam CTCs continued to be well supported at fully firm rates but the majority declined by up to 10p per kilo and there were heavy withdrawals amongst the plainer varieties. Bangladesh teas attracted fair competition although prices fell by 3p-8p. Better liquoring and medium East Africans met fair support but opened 5p-10p below the previous week's rates and tended weaker as the sale progressed. Central Africans followed a similar trend. There was less demand for Ceylons and prices were 5p-10p lower, except for a few quality teas. Offshore teas met fair inquiry *at levels* mostly 5p-8p below last week. Quotations: quality unquoted (unquoted): medium 118p a kg (127p): low medium 78p a kg (85p).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to fall

THE DOLLAR touched a post-war low against the yen in currency markets yesterday, despite heavy intervention by the Bank of Japan. Its fall to a low of Y144.70 happened in Tokyo even though the Bank of Japan gave support estimated at around $2bn.

However this was not enough to outweigh the predominantly bearish sentiment surrounding the US unit. The weaker trend was exacerbated by an absence of intervention by other signatories of the G-6 agreement. Speculators interpreted this as a thinly veiled attempt to bring further pressure on the Japanese to open their domestic markets to foreign competition.

It was also seen as another more subtle means of achieving a reduction in trade imbalances by placing a further squeeze on Japanese profit margins. The G-6 agreement had suggested that the US administration should refrain from "talking the dollar down" and yesterday's absence of the US Federal Reserve or any European central banks was seen as another means of achieving the same thing while also registering dissatisfaction at the lack of progress in opening up Japanese markets to foreign imports.

Comments by Japanese officials claiming that the dollar would improve and that other central banks would lend support seemed to fall on deaf ears.

The dollar closed at Y146.35 down from Y147.65 on Friday but up from a trading low of Y145.50. Against the D-Mark it slipped to DM 1.8045 from DM 1.8235 and SFr 1.5060 compared with SFr 1.5195. It was also lower against the French franc at FFr 6.01 from FFr 6.0675. On Bank of England figures, the dollar's exchange rate index fell to 101.3 from 102.1.

STERLING—Trading range against the dollar in 1986-87 is 1.6175 to 1.3700. February average 1.5274. Exchange rate index 71.6 against 71.7 at the opening and 71.9 on Friday night. The six months ago figure was 69.0.

Sterling finished slightly weaker overall but retained a firm undertone. It was stronger against the dollar but not enough to offset the extent of the dollar's weakness elsewhere. Consequently the pound lost ground against the D-Mark to DM 2.9050 from DM 2.9225 and Y235.75 compared with Y236.75. It was also weaker against the Swiss franc at SFr 2.4250 from SFr 2.4350 and FFr 9.68 against FFr 9.7250. In dollar terms it rose to $1.6105 from $1.6030.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 147.5 against 140.9 six months ago.

Despite all the volatility in Tokyo, trading was confined to a relatively narrow range in Frankfurt. The dollar showed little change from its weaker opening but obviously registered a considerable decline from Friday's close. It was fixed at DM 1.8063 from DM 1.8231 and significantly there was no intervention by the Bundesbank. This was seen as a thinly veiled attempt to put pressure on the Japanese authorities.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to February average 153.36. Exchange rate index 217.2 against 216.7 six months ago.

Heavy intervention by the Bank of Japan failed to prevent the dollar touching a record trading low of Y144.70 in Tokyo. It recovered to close at Y146.20 but this was still well down from Friday's New York close of Y147.20 and Y149.0 in Tokyo. Dealers suggested that the authorities had bought at least $2bn in an attempt to hold the US unit but the absence of intervention by other central banks tended to negate the efforts of the Japanese.

£ IN NEW YORK

Mar 30	Latest	Previous Close
£ Spot	1.6075-1.6085	1.6080-1.6090
1 month	0.48-0.45 pm	0.46-0.45 pm
3 months	1.28-1.23 pm	1.31-1.28 pm
12 months	4.10-4.00 pm	4.25-4.15 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Mar. 30	Previous
8.30	am	71.7	72.1
9.00	am	71.7	72.0
10.00	am	71.7	72.0
11.00	am	71.6	72.0
Noon		71.7	71.9
1.00	pm	71.7	72.0
2.00	pm	71.7	71.9
3.00	pm	71.7	71.8
4.00	pm	71.6	71.9

CURRENCY RATES

Mar. 30	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.713501
U.S. Dollar	5.5	1.2857	1.14874
Canadian $	7.54	*	1.49680
Austrian Sch.	4	N/A	14.5798
Belgian Franc	8	"	42.9427
Danish Krone	7	"	7.84013
Deutsche Mark	3.0	"	2.07347
Neth. Guilder	4½	"	2.34090
French Franc	9½	"	6.90391
Italian Lira	12	"	1477.85
Japanese Yen	2½	"	168.175
Norway Krone	8	"	7.81773
Spanish Peseta	—	"	145.890
Swedish Krona	7½	"	7.26174
Swiss Franc	3.5	"	1.72982
Greek Drach.	20½	"	152.483
Irish Punt	—	"	0.776698

*CS/SDR rate for Mar. 27; 1.66970

CURRENCY MOVEMENTS

March 30	Bank of England Index	Morgan Guaranty Changes %
Sterling	71.6	N/A
U.S. Dollar	101.3	"
Canadian Dollar	79.2	"
Austrian Schilling	138.5	"
Belgian Franc	100.4	"
Danish Krone	93.2	"
Deutsche Mark	147.5	"
Swiss Franc	172.3	"
Guilder	135.1	"
French Franc	72.0	"
Lira	48.2	"
Yen	217.2	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Mar. 30	£	$
Argentina	2.4720-2.4835	1.5350-1.5410
Australia	2.2900-2.2930	1.4220-1.4230
Brazil	34.4870-34.6810	21.4140-21.5240
Finland	7.1300-7.1425	4.4345-4.4365
Greece	212.00-215.65	131.45-133.65
Hong Kong	12.5600-12.5715	7.7970-7.7990
Iran	116.00*	71.80*
Korea (Sth)	1357.55-1369.85	844.40-851.20
Kuwait	0.44000-0.44100	0.27330-0.27350
Luxembourg	60.20-60.30	37.35-37.45
Malaysia	4.0415-4.0475	2.5090-2.5110
Mexico	1782.50-1801.35	1107.50-1117.50
N Zealand	2.8425-2.8500	1.7650-1.7685
Saudi Ar.	6.0375-6.0425	3.7500-3.7510
Singapore	3.4370-3.4430	2.1335-2.1355
S. Af. (Cm)	3.2325-3.2540	2.0120-2.0160
S. Af. (Fn)	4.5050-4.6350	2.7970-2.8775
Taiwan	55.00-55.30	34.25-34.35
U.A.E.	5.9125-5.9180	3.6725-3.6735

*Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9427	+1.14	+0.83	±1.5344
Danish Krone	7.85212	7.84013	−0.15	−0.46	±1.6404
German D-Mark	2.05853	2.07347	+0.73	+0.42	±1.0981
French Franc	6.90403	6.90391	−0.01	−0.32	±1.3674
Dutch Guilder	2.31943	2.34090	+0.93	+0.62	±1.5012
Irish Punt	0.768411	0.776698	+1.08	+0.77	±1.6684
Italian Lira	1483.58	1477.85	−0.39	−0.39	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6080-1.6130	1.6100-1.6110	0.47-0.44 c pm	3.39	1.30-1.25 pm	3.17
Canada	2.0978-2.1062	2.1040-2.1050	0.54-0.44 c pm	2.79	1.50-1.37 pm	2.73
Neth'lands	3.27½-3.28½	3.27¾-3.28¾	1⅛-1¼ c pm	4.57	3⅝-3⅜ pm	4.27
Belgium	60.20-60.30	60.20-60.30	16-13 c pm	2.89	39-33 pm	2.39
Denmark	10.95½-11.03	10.98¾-10.99¾	Par-¾ ore dis	−0.41	1¼-2 dis	−0.59
Ireland	1.0870-1.0920	1.0885-1.0895	0.25-0.40 p dis	−3.58	0.60-0.92 dis	−2.79
W. Germany	2.90-2.91	2.90-2.91	1¾-1½ pf pm	6.71	4¼-4 pm	5.68
Portugal	223.97-225.20	224.00-224.90	13-149 c dis	−5.67	256-377 dis	−5.64
Spain	204.18-205.50	204.40-204.70	118-150 c dis	−7.86	317-358 dis	−6.60
Italy	2067½-2072½	2070-2072	1 pm-1 lire dis	—	1pm-3 lire dis	−0.19
Norway	10.93½-10.98	10.95-10.96	3⅞-4⅞ ore dis	−4.38	12¼-13¼ dis	−4.68
France	9.65¾-9.68½	9.67½-9.68½	2⅛-1⅝c pm	2.32	4¼-3½ pm	1.60
Sweden	10.15⅝-10.19¾	10.16¾-10.17¾	1-1½ ore dis	−1.48	2⅛-3½ dis	−1.16
Japan	235¼-236¼	235¼-236¼	1¼-1 y pm	5.73	3½-3¼ pm	5.73
Austria	20.39-20.46	20.39-20.41	10⅞-9⅞ gro pm	5.73	26¾-24¾ pm	5.01
Switzerland	2.42-2.43	2.42-2.43	1⅞-1¼ c pm	6.80	3⅝-3¼ pm	5.77

Belgian rate is for convertible francs. Financial franc 60.25-60.35. Six-month forward dollar 2.34-2.29 c pm 12-month 4.25-4.15 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6080-1.6130	1.6100-1.6110	0.47-0.44c pm	3.39	1.30-1.25pm	3.17
Ireland†	1.4756-1.4810	1.4765-1.4775	0.93-0.85c pm	7.22	2.42-2.25 pm	6.32
Canada	1.3025-1.3075	1.3065-1.3075	0.05-0.08c dis	−0.60	0.11-0.14 dis	−0.38
Netherlands	2.0330-2.0410	2.0370-2.0380	0.20-0.17c pm	1.09	0.62-0.57pm	1.17
Belgium	37.29-37.45	37.35-37.45	2½-3 dis	−3.49	6-7½ dis	−4.49
Denmark	6.79-6.83¼	6.82-6.82½	1.90-2.20ore dis	−3.26	5.70-6.40 dis	−3.55
W. Germany	1.7940-1.8085	1.8040-1.8050	0.42-0.39pf pm	2.69	1.04-0.99 dis	−2.25
Portugal	139½-140	139½-140	80-130c dis	−9.03	270-340 dis	−8.74
Spain	126.77-127.21	126.90-127.00	120-130c dis	−11.81	300-320 dis	−9.76
Italy	1282½-1288	1285¾-1286¾	3½-4lire dis	−3.50	9¾-11½dis	−3.30
Norway	6.78¾-6.81½	6.80-6.80½	4.40-4.90ore dis	−8.20	12.90-13.40dis	−7.73
France	5.99½-6.01¾	6.00¾-6.01¼	0.73-0.83c dis	−1.56	2.30-2.55 dis	−1.61
Sweden	6.28½-6.32¼	6.31-6.31½	2.55-2.85ore dis	−5.13	6.70-7.10dis	−4.37
Japan	145.50-146.70	146.30-146.40	0.32-0.28y pm	2.46	0.96-0.91 pm	2.56
Austria	12.64-12.71	12.69-12.69½	2.70-2.20gro pm	2.32	6.50-5.50 pm	1.89
Switzerland	1.4945-1.5080	1.5055-1.5065	0.43-0.38c pm	3.23	1.04-0.99 pm	2.70

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.40-37.50.

EURO-CURRENCY INTEREST RATES

Mar. 30	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛-10⅜	10-10⅛	9⅞-10⅛	9¾-9⅞	9⅝-9¾	9⅝-9⅞
U.S. Dollar	5⅞-6⅛	6⅛-6¼	6⅜-6½	6½-6⅝	6½-6⅝	6⅝-6¾
Can. Dollar	6⅞-6⅞	6¾-6⅞	6¾-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-7
D. Guilder	5⅛-5⅜	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛
Sw. Franc	56-70	2¼-2⅛	3⅛-3⅛	3⅝-3¾	3½-3⅝	3¾-3⅞
Deutschmark	4⅛-4⅛	3⅞-4	3⅞-3⅞	3⅞-3⅞	3⅞-4	4-4⅛
Fr. Franc	7⅞-8	8-8⅛	8-8⅛	8⅛-8⅛	8⅛-8⅛	8⅜-8⅝
Italian Lire	9-10	9⅝-10	9⅝-10	9⅞-10⅛	9⅞-10	10⅛-10⅝
B. Fr. (Fin.)	7⅛-7⅜	7⅛-7⅛	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜
B. Fr. (Con.)	7⅞-8	6¾-7¼	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜
Yen	5-5⅛	4⅛-4⅛	4⅛-4⅛	4-4⅛	4-4⅛	4-4⅛
D. Krone	10-10½	10-10⅛	10⅞-11⅛	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜
Asian $ (Sing.)	4-4⅛	N/A	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞

Long-term Eurodollars: Two years 6⅞-7⅛ per cent; three years 7⅛-7½ per cent; four years 7⅜-7⅝ per cent; five years 7⅜-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar. 30	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.611	2.905	235.8	9.680	2.425	3.283	2071.	2.105	60.25
$	0.621	1.	1.806	146.4	6.010	1.506	2.038	1286.	1.307	37.40
DM	0.344	0.554	1.	81.15	3.332	0.835	1.130	712.9	0.724	20.74
YEN	4.242	6.831	12.32	1000.	41.06	10.29	13.92	8785.	8.927	255.6
F Fr.	1.033	1.664	3.001	243.5	10	2.505	3.391	2139.	2.174	62.24
S Fr.	0.412	0.664	1.198	97.22	3.992	1.	1.354	854.0	0.868	24.85
H Fl.	0.305	0.491	0.885	71.82	2.949	0.739	1.	630.9	0.641	18.35
Lira	0.483	0.778	1.403	113.8	4.674	1.171	1.585	1000.	1.016	29.09
C $	0.475	0.765	1.380	112.0	4.600	1.152	1.560	984.1	1.	28.63
B Fr.	1.660	2.673	4.822	391.3	16.07	4.025	5.448	3437.	3.495	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Very nervous trading

TRADING WAS very nervous on the London International Financial Futures Exchange yesterday. Fears of Japanese liquidation of holdings in US Treasury bonds, and possibly also British Government stock, set the tone.

Dealers said that the warning by the Bank of Japan, to Japanese investment houses, not to sell the dollar forward, because of the harm caused to the economy by a strong yen, had created a situation where it was feared Japanese investors would be forced to cut their losses by selling bonds. Many of the houses were believed to be insufficiently hedged against losses on the weakness of the dollar.

Dealers added there was not yet any suggestion that the Japanese were selling US and UK investments as a retaliatory move because of the growing trade friction between the countries.

Nervousness in financial markets, resulting in heavy falls on major world stock markets, led to record volume of 2,395 contracts on FT-SE 100 index futures. The previous record was 1,868 on February 19.

June delivery long term gilt futures opened weak, in reaction to fears of a trade war and the weaker dollar, which was dragging sterling down against currencies such as the D-Mark.

But the main movement came with the opening of Chicago, and the sharp fall in US Treasury bond futures. This was seen as a general reaction to the trade situation, and the fact that gilts have been discounting continuing good news. Recent UK opinion polls have added to market nerves, by showing a surge in popularity of the Alliance.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	10.05	10.26	0.03	0.30
114	8.10	8.45	0.08	0.49
116	6.21	7.09	0.19	1.13
118	4.37	5.46	0.35	1.50
120	3.17	4.31	1.15	2.35
122	2.07	3.27	2.05	3.31
124	1.10	2.35	3.08	4.39
126	0.42	1.54	4.40	5.58

Estimated volume total, Calls 2,723 Puts 1764
Previous day's open int: Calls 21,434 Puts 12,488

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	5.61	5.26	0.05	0.38
94	4.10	3.59	0.18	1.07
96	2.32	2.43	0.40	1.57
98	1.14	1.48	1.22	2.40
100	0.28	1.04	2.36	4.16
102	0.08	0.39	4.16	5.51
104	0.01	0.21	6.09	7.33
106	0.01	0.10	8.09	9.22

Estimated volume total, Calls 0 Puts 83
Previous day's open int: Calls 222 Puts 267

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Apr	Calls-Last May	Puts-Last Apr	Puts-Last May
19250	11.56	12.45	0.36	1.25
19500	9.37	10.51	0.67	1.81
19750	7.36	8.73	1.16	2.53
20000	5.58	7.12	1.88	3.42
20250	4.07	5.71	2.87	4.51
20500	2.85	4.50	4.15	5.80
20750	1.80	3.30	5.60	7.10
21000	1.10	2.45	7.40	8.75

Estimated volume total, Calls 28 Puts 11
Previous day's open int: Calls 199 Puts 192

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price
1.400
1.450
1.475
1.500
1.525
1.550
1.575

Previous day's open int. Calls 75,764 Puts 48,389
Previous day's volume, Calls 1,017 Puts 355

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT

£100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING

£500,000 points of 100%

[illegible]

FT-SE 100 INDEX

£25 per full index point

[illegible]

THREE-MONTH EURODOLLAR

$1m points of 100%

[illegible]

Estimated volume 8,251, (5,006)
Previous day's open int. 24,445, (23,777)

U.S. TREASURY BONDS 8%

$100,000 32nds of 100%

	Close	High	Low	Prev.
June	97-28	98-19	97-25	100-10
Sept.	96-26	—	—	99-08

Estimated Volume 7,181, (3,905)
Previous day's open int. 3,374, (3,184)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

$100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM)

$1m points of 100%

[illegible]

JAPANESE YEN (IMM)

Y12.5m $ per Y100

[illegible]

DEUTSCHE MARK (IMM)

DM125,000 $ per DM

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

[illegible]

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

[illegible]

STANDARD & POORS 500 INDEX

$500 times index

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6105	1.6060	1.5978	1.5874	1.5685

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.6000	1.6010	1.5995	1.5935
Sept.	1.5915	1.5920	1.5905	1.5890
Dec.	1.5840	1.5840	0	1.5750
Mar.	1.5760	1.5760	0	1.5670

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.5993	1.6000	1.5986	1.5918
Sept.	1.5885	—	—	—
Dec.	1.5790	—	—	—

Estimated volume 105 (31)
Previous day's open int 265 (257)

MONEY MARKETS

Further rise

INTEREST RATES continued to rise on the London money market yesterday, as dealers grew nervous about the implications of a trade war between the US and Japan.

Britain's possible involvement because of the dispute over foreign competition in the Japanese telecommunications market, and fears of the pound weakening with the depressed dollar, led to the firmer tone. The strength of the Alliance in recent opinion polls also helped push three-month interbank up to 9 13/16-9 11/16 per cent from 9 11/16-9 9/16 per cent.

The Bank of England initially forecast a money market shortage of £100m, but revised this to a flat position at noon and back to a shortage of £100m in the afternoon.

UK clearing bank base lending rate 10 per cent since March 18-19

Total help of £329m was provided. There was no intervention by the authorities before lunch, and in the afternoon £129m bills were bought outright in band 1 at 9⅞ per cent. Late assistance of £200m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £546m, with the unwinding of repurchase agreements absorbing £785m. These were offset by Exchequer transactions adding £985m to liquidity, a fall in the note circulation of £360m and bank balances above target by £110m.

The average mid-market one week rate on temporary facilities rolled over by the Bank of England was 9⅞ per cent.

In Frankfurt call money rose to 3.75 per cent from 3.55 per cent as liquidity drained from the banking system on pension payments by insurance companies. This was expected to draw down about DM 11bn, but was partly offset by up to DM 6bn flowing into the market from Treasury bills bought from the Bundesbank on Thursday.

Liquidity remained in reasonably good supply for the month end however, with call money still below the rate of 3.80 per cent on last week's securities repurchase agreement with the central bank.

The Bundesbank will not hold a securities repurchase tender this week, because there is no expiring agreement. Conditions are expected to remain comfortable, and may even improve later in the week, as part of the pension payments are deposited back with the banks.

In Tokyo the Bank of Japan is to sell Y500bn of financing bills through a 32-day repurchase agreement today, to help absorb a money market surplus of around Y1,750bn. The bills will mature on May 2, and produce a yield of 3.8995 per cent. This compares with a yield of 3.9375 per cent on one-month commercial bills and 4.40 per cent on one-month certificates of deposit.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 30) 3 months U.S. dollars		6 months U.S. dollars	
bid 6½	offer 6⅝	bid 6½	offer 6⅝

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	7½-7¼
Fed. funds	6⅛
Fed funds at intervention	6⅛

Treasury Bills and Bonds

One month	5.24	Three year	6.78
Two month	5.57	Four year	6.96
Three month	5.86	Five year	7.03
Six month	5.99	Seven year	7.28
One year	6.16	10 year	7.48
Two year	6.60	30 year	7.78

Mar. 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.70-3.80	3.85-3.95	3.85-4.00	3.85-4.00	3.90-4.05	5.0
Paris	7⅝-7¾	7 11/16-7 13/16	7 11/16-7 13/16	7 11/16-7 13/16	7⅞-8	7⅜
Zurich	¾-1⅛	3¼-3⅜	—	3 11/16-3 13/16	—	—
Amsterdam	5⅜-5½	5 5/16-5 7/16	—	5 5/16-5 7/16	—	—
Tokyo	3.84375	3.96375	—	4.03125	—	—
Milan	10⅞-11⅛	10⅛-10⅜	—	10½-10⅝	—	—
Brussels	5.25	7 5/16-7 7/16	—	7 5/16-7 7/16	—	—
Dublin	13⅞-14⅛	13¾-14⅛	13½-13¾	13½-13¾	12-12¼	—

LONDON MONEY RATES

Mar. 30	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-6	10⅛-9 13/16	10 1/16-9⅞	9 13/16-9⅝	9 13/16-9⅝	9 13/16-9½
Sterling CDs	—	—	9 13/16-9 11/16	9⅝-9 11/16	9 9/16-9½	9½-9⅜
Local Authority Deposits	9½	9⅞	9¾	9⅝	9⅝-9½	9½
Local Authority Bonds	—	—	10	9⅝	9½	9 7/16
Discount Mkt Deposits	10⅛-7	9¾	9⅞	9¾	—	—
Company Deposits	9⅞-9⅝	10⅛	10⅛-10	9⅞	9 11/16	9⅝
Finance House Deposits	—	—	10	9⅞	9⅝	9⅝
Treasury Bills (Buy)	—	—	9⅝	9⅜	—	—
Bank Bills (Buy)	—	—	9 13/16	9 9/16	9 7/16	—
Fine Trade Bills (Buy)	—	—	10 3/16	10 1/16	9 13/16	—
Dollar CDs	—	—	6.50-6.45	6.50-6.45	6.55-6.50	6.65-6.60
SDR Linked Deposits	—	—	6⅛-5⅞	6 1/16-5 15/16	6 1/16-5 13/16	6¼-6
ECU Linked Deposits	—	—	7-6⅝	7-6⅝	7-6⅝	7⅛-7

Treasury Bills (sell); one-month 9⅝ per cent; three-months 9¼ per cent; Bank Bills (sell): one-month 9 11/16 per cent; three months 9 7/16 per cent; Treasury Bills; Average tender rate of discount 9.3157 p.c. ECGD Fixed Finance Scheme IV reference date January 31 to February 27 (inclusive): 10.896 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 8 per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-12 months 8½ per cent; Under £100,000 8 per cent from March 18. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 30 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

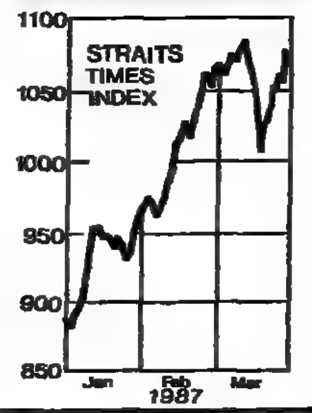
NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	MONDAY MARCH 30 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	DOLLAR INDEX 1986/87 High	1986/87 Low	Year ago
Australia (94)	124.36	+2.1	114.48	117.66	3.85	124.36	70.18	86.04
Austria (16)	94.53	+1.1	87.02	88.60	1.73	101.62	70.60	76.95
Belgium (47)	116.07	−0.7	106.85	107.20	4.23	118.92	53.75	73.42
Canada (132)	130.46	−1.9	120.09	123.47	2.25	134.35	86.58	97.05
Denmark (39)	114.05	+0.0	104.99	105.83	2.34	124.10	87.87	100.05
France (121)	119.90	−0.3	110.37	113.04	2.28	120.79	57.72	82.05
West Germany (99)	93.18	+1.8	85.77	87.41	2.04	100.33	74.48	83.30
Hong Kong (45)	110.05	−0.7	101.31	110.18	2.96	114.71	62.87	66.05
Ireland (14)	130.83	−0.5	120.43	124.80	3.38	131.44	62.33	82.95
Italy (76)	102.77	+0.5	94.60	98.70	1.52	108.30	46.07	79.01
Japan (458)	131.54	−1.2	121.09	121.69	0.53	133.11	49.46	68.09
Malaysia (35)	132.74	−0.1	122.19	128.32	3.02	135.38	66.67	75.75
Mexico (14)	147.77	+1.7	136.03	179.74	1.13	147.77	43.00	57.71
Netherland (38)	113.08	−0.7	104.09	105.16	4.17	113.93	74.14	82.75
New Zealand (27)	96.88	+0.7	89.18	90.89	2.97	100.59	47.37	60.87
Norway (25)	126.00	+0.4	115.99	116.34	1.96	127.09	90.02	101.79
Singapore (27)	120.63	−1.1	111.05	118.66	3.13	122.51	55.94	58.01
South Africa (61)	175.51	+6.6	161.57	108.84	3.44	175.51	69.06	103.61
Spain (43)	113.08	+1.5	104.09	108.75	3.71	121.31	45.00	73.60
Sweden (33)	115.05	−0.1	105.91	107.51	2.22	115.19	63.35	82.68
Switzerland (52)	98.61	+0.3	90.77	92.07	1.82	104.06	69.01	77.84
United Kingdom (342)	130.62	−1.7	120.24	120.24	3.51	133.88	75.39	98.28
USA (580)	119.35	−2.0	109.86	119.35	3.05	124.06	85.46	100.40
Europe (945)	114.68	−0.5	105.57	106.83	2.90	115.20	69.36	87.67
Pacific Basin (686)	130.42	−1.0	120.05	121.03	0.72	131.80	51.10	68.60
Euro—Pacific (1631)	124.14	−0.8	114.28	115.34	1.53	125.18	58.45	76.11
North America (712)	119.94	−2.0	110.41	119.59	3.00	124.60	85.61	100.22
World Ex. US (1838)	124.94	−0.8	115.01	115.64	1.58	125.90	60.02	77.13
World Ex. UK (2076)	122.01	−1.2	112.31	116.88	1.99	123.49	69.65	85.15
World Ex. So. Af. (2357)	122.43	−1.3	112.70	117.21	2.13	124.06	69.95	86.16
World Ex. Japan (1960)	118.59	−1.3	109.16	114.92	2.99	121.08	79.87	94.97
The World Index (2418)	122.76	−1.2	113.01	117.17	2.14	124.32	70.14	86.27

Base values: Dec 31, 1986 = 100

FT-A WORLD INDICES

At a recent meeting of the FT-Actuaries World Index Panel it was agreed that the following constituent amendments would be made with effect from tomorrow, April 1. New insertions: St Gobain and Paribas (France), MISC (Malaysia) and Consolidated Rail (US). Dortmund Union Brewery of West Germany will be deleted because the free float has fallen to under 25 per cent.

SINGAPORE



EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		May 87		Aug 87		Nov 87		
GOLD C	$400	89	28	31	38.90	—	—	$422.50
GOLD C	$420	467	14.90	57	26A	6	35	"
GOLD C	$440	455	6.90	197	17	11	23.50	"
GOLD C	$460	82	3	20	9	—	—	"
GOLD C	$480	210	1.30	—	—	—	—	"
GOLD P	$360	—	—	40	1	—	—	"
GOLD P	$370	—	—	—	—	315	3	"
GOLD P	$420	91	7.90	27	12	—	—	"
GOLD P	$440	—	—	409	23	20	23	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$600	4	38	40	55	—	—	$626
SILVER C	$650	27	20	21	35	—	—	"
SILVER C	$700	—	—	45	21	50	32	"
SILVER P	$650	14	35	—	—	—	—	"
£/Fl P	Fl.320	15	4.30	—	—	—	—	Fl.328
£/Fl P	Fl.330	—	—	100	12.70	—	—	"
		Apr 87		May 87		Jun 87		
$/Fl C	Fl.200	4	4.90	—	—	—	—	Fl.203.60
$/Fl C	Fl.205	101	2	—	—	33	3.80	"
$/Fl C	Fl.210	41	0.60	19	1.30	50	2	"
$/Fl C	Fl.215	—	—	—	—	4	1	"
$/Fl P	Fl.190	—	—	—	—	22	0.80	"
$/Fl P	Fl.195	49	0.50	19	1	28	1.70	"
$/Fl P	Fl.200	104	1.25	158	2.40	74	3	"
$/Fl P	Fl.205	62	3.30	21	4.20	7	5.50	"
$/Fl P	Fl.210	7	7.30	5	7.50	15	8.50	"
$/Fl P	Fl.215	—	—	—	—	80	12.20	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.195	200	11	—	—	—	—	Fl.203.60
$/Fl C	Fl.200	—	—	20	8B	—	—	"
$/Fl C	Fl.205	8	5.50	20	6.20	—	—	"
$/Fl C	Fl.210	16	3.60	—	—	9	5.90	"
$/Fl C	Fl.215	—	—	12	3	—	—	"
$/Fl P	Fl.195	16	3	—	—	—	—	"
$/Fl P	Fl.200	61	5	22	6.70	—	—	"
		Apr 87		Jul 87		Oct 87		
ABN C	Fl.540	355	3.10	66	11.50	151	16.10	Fl.518
ABN P	Fl.500	77	4.20	46	13.50A	52	21.50	"
AEGON C	Fl.90	299	2.30B	94	4.80	25	6	Fl.90
AEGON P	Fl.95	—	—	20	6.70	33	9	"
AHOLD C	Fl.110	42	1.90	15	5	—	—	Fl.107
AHOLD P	Fl.110	57	4	10	7	—	—	"
AKZO C	Fl.150	387	1.50	192	3.70	30	6.70	Fl.143.10
AKZO P	Fl.140	439	2.20	192	6.20	13	7.50	"
AMEV C	Fl.65	167	3	85	4.30	30	6A	Fl.65.80
AMEV P	Fl.70	—	—	2	6B	20	7	"
AMRO C	Fl.85	1027	1	151	3.40	70	4.90	Fl.82.30
AMRO P	Fl.80	113	2	65	3.40	5	5.50	"
ELSEVIER C	Fl.250	9	5.10	64	13.50	—	—	Fl.248.50
GIST-BROC. C	Fl.45	61	0.70	28	2	10	3.50	Fl. 43.30
GIST-BROC. P	Fl.40	34	0.60	5	1.90	—	—	"
HEINEKEN C	Fl.180	21	1.40	51	4.80	19	6.80	Fl.171.50
HEINEKEN P	Fl.170	33	3.50	32	6	2	8.50	"
HOOGOVENS C	Fl.35	555	2.50	325	4.30	35	5.20	Fl.34
HOOGOVENS P	Fl.35	1599	3.20	298	4.20	280	5.20	"
KLM C	Fl.45	35	0.20	146	1	21	1.40B	Fl.39.20
KLM P	Fl.45	66	6	4	6	157	7.20	"
NED. LLYOD C	Fl.180	75	2	19	4.70	—	—	Fl.172.50
NED. LLYOD P	Fl.170	30	3.90	51	10.30	—	—	"
NAT. NED C	Fl.75	83	2	193	3.50	103	4.80	Fl.73.50
NAT. NED. P	Fl.75	47	3	71	4.80	69	6	"
PHILIPS C	Fl.50	480	0.90	338	2.40	152	3.70	Fl.49.30
PHILIPS P	Fl.50	71	2.40	138	3.60	10	3.80	"
ROYAL DUTCH C	Fl.240	1395	5.30	459	7.50A	390	9.50	Fl.240
ROYAL DUTCH P	Fl.240	660	4.50	315	11.50B	85	14.50	"
ROBECO P	Fl.100	3	2	512	2.50	—	—	Fl.101.40
UNILEVER C	Fl.580	779	10	442	20	108	28	Fl.577
UNILEVER P	Fl.580	204	11.60B	100	24.50	18	28B	"

TOTAL VOLUME IN CONTRACTS: 39,887

A=Ask B=Bid C=Call P=Put

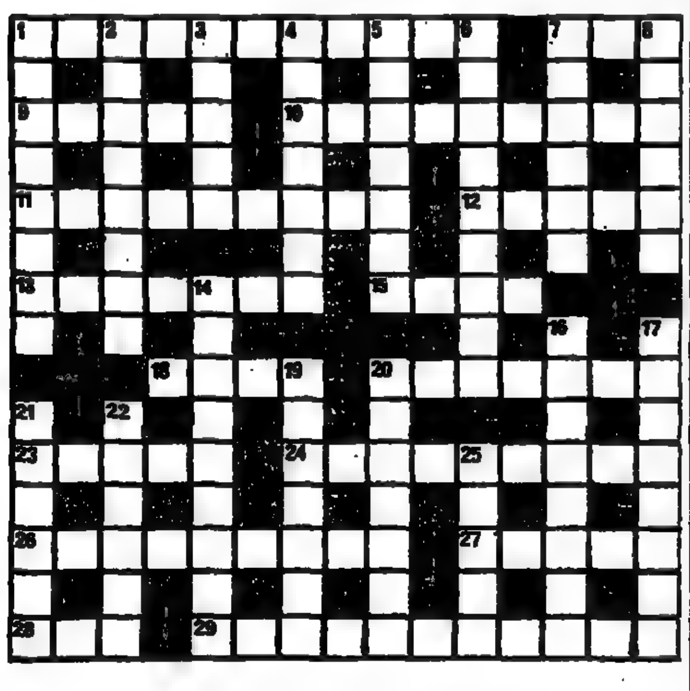
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	● Morgan Grenfell	10
Adam & Company	10	Citibank NA	10	Mrs Credit Corp. Ltd.	10
Allied Arab Bk Ltd.	10	Citibank Savings	¶12.45	Nat Bk. of Kuwait	10
Allied Dunbar & Co.	10	City Merchants Bank	10	National Girobank	10
Allied Irish Bank	10	Clydesdale Bank	10	Nat Westminster	10
American Exp. Bk	10	Comm. Bk. N. East	10	Northern Bank Ltd.	10
Amro Bank	10	Consolidated Cred	10	† Norwich Gen. Trust	10
Henry Ansbacher	10	★ Co-operative Bank	10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Cyprus Popular Bk	10	Provincial Trust Ltd.	12
Associates Cap Corp	11	Duncan Lawrie	10	R. Raphael & Sons	10
Authority & Co Ltd	10½	E. T. Trust	12	Roxburghe G'rantee	10½
Banco de Bilbao	10	Equator'l Tst C'p plc	10	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Trust Bank	10
Bank Leumi (UK)	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Credit & Comm.	10	First Nat. Fin. Corp	11½	Trustee Savings Bank	10
Bank of Cyprus	10	First Nat. Sec. Ltd.	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	10	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of India	10	Robert Fraser & Ptrs.	11½	United Mizrahi Bank	10
Bank of Scotland	10	Grindlays Bank	‡10	Unity Trust PLC	9½
Banque Belge Ltd.	10	● Guinness Mahon	10	Westpac B'nking Corp	10
Barclays Bank	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Benchmark Tst Ltd	10	● Hambros Bank	10	Yorkshire Bank	10
Beneficial Trust Ltd.	11½	Heritable & Gen. Tst.	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co	10		
● Brown Shipley	10	Hongkong & Shangh'	10		
Business Mortgage Tst.	10	Lloyds Bank	10		
CL Bank Nederland	10	Mase Westpac Ltd.	10		
Canada Permanent	10	Meghraj & Sons Ltd.	10		
Cayzer Ltd	10	Midland Bank	10		

● Members of the Accepting Houses Committee. ★ 7-day deposits 5.35%. Sawewise 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¾% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 12¼%.

FT CROSSWORD PUZZLE No. 6,291

DANTE



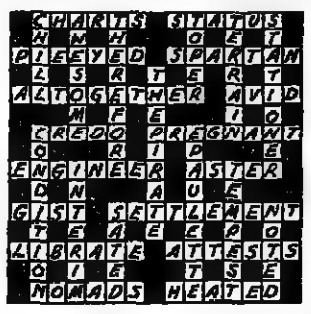
ACROSS

1 Look at and study the working pattern (11)
7 Have to concede (3)
9 A moss-strewn island of Greece (5)
10 Not impressed (9)
11 Record-making start to the student year? (9)
12 It is well used by desert travellers (5)
13 To agree completely (7)
15 Improve on the ebb-tide (4)
18 It appears we have the responsibility (4)
20 Match-maker? (7)
23 I get gloomy losing my home (5)
24 One caring, perhaps, but not knowing (9)
26 It is held to improve the eyesight (9)
27 A female Pole is pale (5)
28 It's evacuated during the shelling (3)
29 Eating habits (6, 5)

DOWN

1 Class includes group providing music, perhaps (8)
2 Can count on union rising about tea-break (8)
3 Peg-legged supporter of the Arts (5)
4 It's discourteous to snoop about with excessive priggishness (7)
5 Morning uprising has support from disjointed person (7)
6 A leader of opinion (9)
7 Fancy us to be stupid (6)
8 It sounds bad—not so, he's in the pink (6)
14 Country you drop off to visit? (4, 2, 3)
16 Press men in China (8)
17 Highly attractive part of Belgium (8)
19 Struck by Cupid's dart? (7)
20 Screen I wrenched open (7)
21 Stimulus given to a sound man (6)
22 Gerald upset—and looked it! (6)
25 Gathers in spare jumble (5)

Solution to Puzzle No. 6,290



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc	279.2	297.0		5.10
(Accum Units)	337.9	359.4		5.10
UK Growth	343.1	365.0		2.60
(Accum Units)	362.4	385.5		2.60

MLA Unit Trust Management
1 Seasons Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	41.1	43.5	(z)	1.74
MLA Income Trust	55.5	58.8	(z)	3.88
MLA Int	62.0	65.7	(z)	0.83
MLA Gilt Unit Tst	24.7	26.1	(z)	10.00
MLA European Trust	34.7	36.7	(z)	0.19
MLA American Tst	28.1	29.7	(z)	0.84

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int	119.5	125.7		7.03
Growth Unit	99.2	105.6		2.55
High Income Unit	138.6	147.3		3.88
High Yielding Gilt Uts	60.8	62.9		8.06
Intl Growth Unit Tst	153.1	162.7		0.39
UK Smaller Cos	107.6	114.3		1.6
North American	85.8	91.2		0.36
Far East	119.4	126.9		0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income March 30	310.5	330.3		3.38
General March 30	244.2	259.8		1.89
International March 30	153.5	163.3		0.65
Global Inc Fd March 30	49.6	52.8		5.15

Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Mencap	173.5	183.6	-0.6	3.99

Mercury Fund Managers Ltd
33 King William St, EC4R 9AS 01-280 2060

American Growth	108.8	115.3	(z)	2.35
(Accum Units)	113.4	119.9	(z)	2.26
American Sm Cos Ex Fd	50.2	51.4	(z)	0.50
(Accum Units)	50.2	51.4	(z)	0.50
American Income	52.7	55.2	(z)	5.32
(Accum Units)	56.7		(z)	5.32
European Growth	141.6	150.6		

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	309.5	330.6	-4.0	0.96
Income	235.4	250.7	-0.1	3.70
Worldwide Recovery	170.6	182.4	-2.0	1.61
American Growth	76.5	81.7	-1.1	0.87
Intl. Emerging Cos.	94.1	100.5	-0.4	0.71
Far East Growth Fd	92.4	98.7	-0.8	0.77
European Growth Fd	65.6	70.1	+0.4	1.85

Prolific Unit Trust Managers Limited
222 Bishopsgate, London EC2 01-247 7544

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group
Three Quays, Tower Hill, EC3R 6BQ 01-626 4588

Amer Bond (Acc)	212.6	223.5	-5.0	—
Amer Rec Bond (Acc)	272.7	286.5	-2.1	—
Amer Smllr Co Bd (Acc)	116.6	122.6	-2.2	—
Australasian Bd (Acc)	183.5	192.8	+10.6	—
Commodity Bond (Acc)	182.0	191.2	+2.0	—
Deposit Bond (Acc)	221.9	233.1	+0.1	—
Equity Bond (Acc)	660.7	693.8	+4.8	—
Equity Bond Bonus	279.2	293.3	+2.0	—
European Bond (Acc)	182.9	192.2	+1.7	—
Extra Yld Bd (Acc)	372.2	390.9	+2.2	—
Far Eastern Bond (Acc)	148.2	155.7	+1.5	—
Gilt Bond (Acc)	259.3	272.3	-1.4	—
Gold Bond (Acc)	151.7	159.4	+8.3	—
High Yield Bond (Acc)	249.4	261.9	+1.6	5.03
Index-Linked GtBd(Acc)	127.0	133.5	+0.4	—
Internatl Bond (Acc)	402.7	423.0	+2.9	—
Internatl Inc Bond (Acc)	130.7	137.3	+0.7	—
Japan Bond (Acc)	207.0	217.5	-4.3	—
Japan Smaller Co (Acc)	147.2	154.7	-0.6	—
Managed Bond (Acc)	482.1	506.4	+1.3	—
Property Bond (Acc)	285.7	300.1	+0.1	—
Recovery Bond (Acc)	351.4	369.1	+3.0	—
Pensions Funds				
American (Cap)	332.8	349.4	-4.9	—
American (Acc)	462.0	485.2	-7.6	—
Building Soc (Cap)	93.7	98.5	+0.1	—
Building Soc (Acc)	130.1	136.7	+0.2	—
Deposit (Cap)	153.9	161.7	+0.1	—
Deposit (Acc)	213.6	224.4	+0.2	—
European (Cap)	140.0	147.1	+1.2	—
European (Acc)	194.3	204.1	+1.7	—
Equity (Cap)	408.6	429.2	-1.8	—
Equity (Acc)	566.7	595.2	-2.5	—
Gilt (Cap)	244.8	257.1	-0.9	—
Gilt (Acc)	339.8	356.9	-1.2	—
Gold (Cap)	105.7	111.1	+5.4	—
Gold (Acc)	146.8	154.2	+7.6	—
Index-Linked (Cap)	96.4	101.3	+0.5	—
Index-Lnkd Gilt (Acc)	133.8	140.6	+0.7	—
International (Cap)	110.9	116.5	-0.4	—
International (Acc)	153.9	161.7	-0.6	—
Intnl Inc (Cap)	108.3	113.7	+0.6	—
Intnl Inc (Acc)	150.2	157.8	+0.9	—

NM Schroder Life Assur.—Contd.

Smaller Companies	370.5	390.0	—	—
Tokyo	356.5	375.2	+12.4	—
UK Equity	361.9	380.9	—	—
American Pension	279.3	294.0	—	—
Australian Pension	212.7	223.8	+10.6	—
CCM Vanguard Pension	164.9	173.5	—	—
Equity Pension	600.7	632.3	+4.1	—
European Pension	244.0	256.8	—	—
Far Eastern Growth Pen	141.6	149.0	+3.5	—
Fixed Interest Pension	283.8	298.7	-3.1	—
Global Mngd Pension	139.7	147.0	+0.5	—
Gold Pension	133.8	140.8	+8.8	—
Income Acc Pension	220.3	231.8	—	—
International Pension	173.3	182.4	+1.3	—
Japan Smllr Co's Pen	270.8	285.0	+4.0	—
Managed Pension	1,206.8	1,270.3	-9.1	—
Property Pensions	267.7	281.7	+0.1	—
Residentl. Prop Pen	111.7	117.5	—	—
Singapore & Malay Pen	158.6	166.9	+0.2	—
Smaller Cos Pension	180.0	189.4	—	—
Special Exempt	919.3	936.1	+3.3	—
Tokyo Pension	417.7	439.6	+20.1	—
UK Equity Pension	203.5	214.2	—	—

Prices: Life Series 4 Acc; Pension Series C Acc March 26

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	189.7	194.7	—	—
Managed Prospect Fund	145.8	153.5	—	—
UK Equity Fd	223.5	235.3	—	—
Fixed Interest	148.6	156.5	—	—
Pacific	184.8	194.6	—	—
North American	118.1	124.4	—	—
Pens. Managed	223.8	235.6	—	—
Pens. UK Equity	267.2	281.3	—	—
Pens. Overseas Equity	302.9	318.9	—	—
Pens. Property	116.8	123.0	—	—
Pens. Fixed Interest	159.9	168.4	—	—
Pens. Index Linked	123.6	130.2	—	—
Pens. Deposit	141.9	149.4	—	—
P.R.P. UK Equity	115.5	121.6	—	—
P.R.P. Overseas Equity	107.1	112.8	—	—
P.R.P. Fixed Interest	108.1	113.8	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

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LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100½	93⅝	Funding 6½pc 85-87	99¾	—	6.52	9.52
101¼	96	Treas. 10pc 1987	99¾	–⅛	10.00	9.78
98	90¾	Treas 3pc 1987	98	—	3.04	7.66
104¾	99¾	Treas. 12pc 1987	100⅝	–⅛	11.80	9.19
99½	92	Treas 7¾pc 1985-88‡‡	99¼	–⅛	7.81	8.79
104	96⅛	Exch 10½pc '88	101	–⅛	10.36	9.22
102⅝	95⅛	Treas 9¾pc Cv '88	100	–⅛	9.70	9.27
95⅝	86⅝	Transport 3pc '78-88	95	–¼	3.14	6.69
102⅛	93	Treas. 9½pc '88	100	–⅛	9.46	9.20
107	98	Treas 11½pc 1989	103	–⅛	11.07	9.20
103⅛	93⅛	Treas 9½pc Cnv 1989	100	–⅛	9.45	9.22
92	82	Treas 3pc 1989	92	–⅛	3.24	6.82
105	95	Treas 10½pc 1989	102	–⅛	10.26	9.26
104	94	Exch 10pc 1989	101	–⅛	9.84	9.22
107	97	Exch 11pc 1989	103⅞	–⅛	10.59	9.20
94	84	Treas 5pc 1986-89	93⅝	–⅛	5.35	7.74
110	94	Exch 10½pc Cv '89	103	–1	9.87	8.56
114	103	Treas 13pc 1990‡‡	109	–⅛	11.82	8.87
108	97	Exch 11pc 1990‡‡	104	–⅛	10.46	8.93
113	102	Exch. 12½pc 1990	108	–⅛	12.45	8.91
89	79	Treas. 3pc 1990	89	–⅛	3.34	6.70
100	89	Treas 8¼pc 1987-90‡‡	98	–⅛	8.33	8.60
106	93	Treas. 10pc Cv 1990	102	–⅛	9.70	8.97
87	76	Exch 2½pc 1990	86	–⅛	2.87	6.55
112	99	Treas 11¾pc 1991	107	–⅛	10.82	9.02
94	83	Funding 5¾pc '87-91‡‡	93	–⅛	6.15	7.63
86	79	Treas. 3pc 1991	86	–⅛	3.46	6.71
109	95	Treas 10pc Cv '91	105	–1	10.24	7.95
110	96	Exch. 11pc 1991	106	–⅛	11.11	8.99
118	103	Treas 12¾pc 1992‡‡	113	–⅛	9.62	8.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1986/87 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
36⅛	17½	Sara Lee $1	29⅞xd	–⅞	$2.00	—	4.3
13	10⅛	Saul (B. F.) $1	10½	–⅛	20c	—	1.2
81¼	55¼	Southwestern Bell $1	72¼	–¼	$6.40	—	5.7
21½	14⅝	Staley Continental	17⅛	.....	80c	—	3.0
43⅝	29⅝	Sun Co. Inc. $1	42⅝xd	–½	$3.00	—	4.6
74	57⅛	TRW Inc. $1¼	63⅞	–1¼	$3.20	—	3.3
31	23⅝	Tenneco $5	29⅞	–1¼	$3.04	—	6.8
184½	135	Do. 10pcLn.Stk. 91-5	184½xd	.....	10%	—	5.7
26⅛	18½	Texaco $6.25	22⅞xd	–⅛	$3.00	—	8.5
60⅞	41¼	Time Inc. $1	53½	–1¼	$1.00	—	1.2
15⅝	11¼	Tracor $0.33	13¼	+½	36c	—	1.8
27⅛	20⅞	Transamerica $1	23¼	–⅛	$1.76	—	5.4
14⅞	781p	Transworld Corp $5	10½	–⅛	20c	—	1.2
42⅞	19⅝	Trinova Corp.	41¼	.....	$1.40	—	2.2
19⅝	10⅞	♥USX $1	17⅛	–⅞	$1.20	—	4.6
18⅛	975p	Union Carbide $1	18⅞	+⅛	$1.50	—	5.3
37⅝	26⅞	Utd. Technologies	30⅞	–1⅛	$1.40	—	2.9
41⅝	29⅝	US West‖	34⅞	.....	$3.04	—	5.7
32	20⅝	♥Woolworth $3½	31	–⅛	$1.12	—	2.3

CANADIANS

1986/87 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
32⅞xd	20p	♥Abbot Energy Corp.	21½xd	.....	—	—	—
19½	380p	♥Amer. Barrick Res.	19	.....	—	—	—
63p	36p	Arnmeco	61p	.....	—	—	—
19⅞	13⅛	Bk. Montreal ‖	16⅞	.....	$2.00	—	5.9
10½	575p	Bk. Nova Scot.‖	905p	–6	72c	—	3.8
20⅞	17⅞	BCE ‖	20⅛	.....	$2.40	—	5.6
960p	457p	♥Bow Valley‖	922p	–7	10c	—	0.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	2.2

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

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INSURANCES—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
348	220	PWS Holdings 10p	314	....	φ9.25	2.9	4.1	11.7
386	200	Pearl Group 5p	345	–5	8.8	—	3.6	—
*950	714	Prudential	882	–15	29.0	—	4.7	—
499	362	Refuge 5p	472xd	–2	15.75	—	4.7	—
£10⅝	762	Royal	934xd	+2	31.0	—	4.7	—
408	299	Sedgwick Group 10p	330	–8	φ12.0	1.7	5.1	14.1
275	194	Steel Burrill J.10p	254	....	9.0	φ	5.1	φ
505	347	Stewart Wr. 20p	457	–1½	13.0	φ	4.1	φ
450	285	Sturge Hldgs 20p	438xd	–5	66.0	2.5	2.0	28.2
815	520	Sun Alliance	787	–7	‡17.5	—	3.1	—
£30¾	778	Sun Life 5p	£30¼	+¼	‡23.74	—	—	—
£52⅝	£16½	†Taisho M EDR	£49½	–1½	φ010%	—	0.9	—
£27⅝	£15¾	Torchmark $1.00	£20¾	–¼	Q60c	—	2.1	—
335	120	Trade Indemnity	335	....	4.3	—	1.8	—
£40⅝	£29⅛	Travelers $1.25	£30⅞	–⅛	$2.28	—	4.8	—
£33⅞	£25⅝	USLIFE Corp. $1.0	£27	–½	Q$1.20	3.2	2.9	10.8
595	423	‡Utd Friendly B 10p	593	–2	‡17.2	—	4.1	—
492	393	Willis Faber 12½p	422	–10	10.75	φ	3.7	φ
59	38	Windsor Secs. 10p	57	+1	0.7	1.5	1.7	52.8

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	74	.....	Fin. 13% 97/02	£187¾	+1
Craig & Rose £1	£15¾	.....	Arnotts	360	+10
Finlay Pkg. 5p	69	.....	CPI Hldgs	65sd	.....
Holt (Jos) 25p	985	–2	Carrol Inds.	131	+1
Iobl Stm. £1	93	.....	Dublin Gas	11	.....
			Hall (R. & H.)	115	+3
IRISH			Helton Hldgs.	32	.....
Fund 11¾% 1988	£98⅝	.....	Irish Ropes	175	.....
Nat. 9¾% 84/89	£94⅞	.....	Unidare	375xd	–46

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp.	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met.	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen.	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds.	50		
Marks & Spencer	18	Cons Gold	65
Midland Bk	55	Lonrho	24
Morgan Grenfell	35	Rio T Zinc	65

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 23	Apr 2	Apr 3	Apr 13
Apr 6	Apr 23	Apr 24	May 5
Apr 27	May 7	May 18	May 28

* New time dealings may take place from 9.00 am two business days earlier.

Shakeout in equities and Gilt-edged as global markets and the dollar fall

THE London securities markets suffered a large-scale shakeout yesterday in the wake of the heavy setbacks in New York and Tokyo. The equity market recorded its largest daily fall in index points terms as weakness in the dollar, and a heavy opening fall on Wall Street, brought widespread losses in share prices in London. British Government bonds, unsettled both by the fall in the key Yen/dollar rate and by the slide in New York bond prices, closed with losses of more than a point.

Selling of equities was not heavy—the big investment institutions largely stayed out of the market. But the currency worries, already reflected in Friday's losses in the US and Japanese stock markets, caught London at a nervous time.

This week brings the end of a market trading account which spans the fiscal year end, and is expected to prompt significant selling by private investors who have substantial profits on their investment portfolios.

Shares fell heavily from the opening, with Glaxo, Imperial Chemical Industries and Beecham setting the pace for the multinationals. London was 34 points down on the FT-SE scale as traders waited nervously for New York to open.

An early loss of 70 points on the Dow sent London reeling below the FT-SE 2,000 mark scaled only a fortnight ago. The market then steadied, with Wall Street, to show a final net loss of 46.1 to 2002.5 on the FT-SE 100.

At 1582.2, the FT ordinary index shed 38.4.

The growing strains in world currency markets brought widespread losses in the UK exporting stocks. Pharmaceuticals, too, fell heavily as increasing political tensions over Japanese trade policies cast a cloud over prospects for an early renewal of Japanese demand for UK equities.

Currency worries were also seen again in the gold share markets, where prices continued to move to fresh 1986-87 peaks.

Government bonds were also badly shaken by the fall in the dollar, which raised some concern that US interest rates might have to rise. With hopes for another cut in UK bank base rates now postponed, and the City less sure of the prospects for an early election in the UK, buyers backed off from gilts, sending prices down by as much as 1½ by mid-afternoon. Speculative selling in the Liffe Gilt futures market undermined cash Treasuries.

But late dealings in London brought a modest rally in bond prices, on the back of some buying interest from the US. Long-dated issues steadied to show net losses of 1¼ points.

Also underlining the bond market's steadiness in the closing minutes was the easier trend of the index-linked sector, which ended about ¾ of a point down—suggesting relative confidence in the outlook for inflation in the UK.

Clearing banks mirrored the overall depressed trend and *revived world debt uncertainties.* Lloyds dropped 13 to 454p and Midland cheapened 13 at 629p. NatWest came on offer and lost 12 at 587p and Barclays also relinquished 12 at 497p. Elsewhere, Royal Bank of Scotland ran into nervous selling following a leading broker's adverse comments concerning the bank's exposure to Latin American debt and ended the session 18 down on balance at 316p. Merchant banks drifted lower with Kleinwort Benson 15 easier at 580p.

Despite the TSB's categorical denial of a Sunday press suggestion that the bank was engaged in *merger negotiations with Sun Life,* the lattter moved up ⅛ to £10⅝ ahead of tomorrow's preliminary figures; TSB touched 88p before closing a fraction lower at 86p. Abbey Life softened 32 at 263p awaiting tomorrow's annual results—brokers' estimates range between £38.5m and £40m. Prudential declined 15 at 882p and Legal and General shaded 9 at 279p. Lloyds' broker Dewey Warren, *a strong market since Mr* Robert Holmes à Court's Bell Group acquired a sizeable stake, retreated 17 to 203p following profit-taking after the disappointing annual figures.

Property investment group Burford *staged an impressive debut in* the Unlisted Securities Market; the shares opened with a premium of some 78p and closed at 160p, exactly double the placing *price of 80p. Reliance Security* also made a bright USM debut, the shares registering a first-day premium of 40 at 180p compared with the placing price of 140p.

Relatively light selling and the absence of any buying power took a heavy toll on the Brewery leaders. Double-figure falls were widespread and Guinness closed 13 easier at 317p while Allied-Lyons also showed a sizeable loss at 389p, down 12. Bass, which announced the sale of its Pontin's *Holiday UK interests for £57.5m,* fell 16 to 912p. Scottish and Newcastle dipped 8 to 228p but distiller Macdonald Martin "A" encountered support and gained 22 to 960p.

Blue Circle Industries were the *only leading Building issue to* buck the dull trend and closed 7 higher at 818p, after 822p, following favourable Press comment and reports of a broker's circular. Annual profits at the top end of market estimates failed to sustain Rugby Portland Cement, which settled ½ at 140p. Tarmac dipped 20 to 516p, while BPB Industries shed 11 to 700p and RMC lost 15 at 827p. Among Contracting and Construction issues, Costain encountered fresh selling and gave up 10 to 556p, while Taylor Woodrow fell 13 to 380p. Elsewhere, EBC responded to increased annual profits and a confident statement *with a rise of 20 to 165p,* but Manders lost 5 at 345p despite higher annual earnings. Press comment boosted Sandell Perkins 12 to 253p, and Ward Holdings 7 to 528p, while demand *in a restricted mar*ket lifted Baldwin 20 to 133p.

ICI moved progressively lower to close ½ down at £13¼.

Superdrug, Britains largest drug store chain with 300 outlets, were oblivious of the surrounding *malaise, soaring 173 to 653p in* response to the surprise and agreed share-exchange bid from Woolworth; the latter, which recently broke off bid discussions with multiple retail chemist, Underwoods, but soon after *announced an agreed offer for* Charlie Browns Car Part Centres, fell 40 on the news to 790p. Share Drug, at 285p, and Lloyds Chemists, at 198p, rose 7 and 8 respectively in sympathy, while Tip Top Drugstores were also excited by *Woolworth's move and* ended the session 23 to the good at 173p. Leading retailers, on the other hand, gave a dull performance. End financial year profit-taking and fading hopes of a further early reduction in clearing bank *base lending rates prompted* fairly heavy falls. Storehouse dropped 15 to 290p and Gussies "A" cheapened 7/16 to £12 7/16, while Harris Queensway gave up 8 at 203p. Dixons lost 10 at 391p and Burton cheapened 9 at 297p; the *latter's interim results are scheduled* for Thursday.

Plessey led the retreat of the leading Electricals, falling 13 to 236p on reports of a broker's downgraded profits forecast. Weekend comment on the way in which the company has been squeezed out of the Japanese tele*communications industry left* Cable and Wireless 12 lower at 362p, while GEC dropped 6 to 206p on confirmation that the Ministry of Defence and RAF are renogiating the group's £500m Foxhunter air interceptor radar system contract *for Tornado fighter aircraft.* BICC gave up 6 at 340p and STC relinquished 6 to 253p, while British Telecom declined 5 at 252p. Elsewhere, Wordplex mped 12 to 162p *following revived* speculative support and First Security came alive with a rise of 12 at 295p. NEI hardened a fraction to 94p on reports of a Government contract for 2 coal-fire power stations and, in the wake of a seminar with brokers Chase Manhattan Securities, who rate the shares a "buy."

Leading Engineering followed the downward trend, GKN, 321p, and Vickers, 490p, both closing around 8 cheaper. Elsewhere, Braithwaite *featured a fresh gain* of 18 at 385p following weekend Press mention. Some of the recent favourites, however, ran into selling. Thomas Robinson dipped 16 to 416p and TI Group fell 20 to 669p, while Crown House closed 12 down at 223p.

Profit-taking left its mark on recently *firm Foods.* Cadbury Schweppes gave up 9 at 245p and Rowntree Mackintosh shed 8 to 489p. Tate and Lyle dipped 23 to 765p, while Hillsdown reacted to 260p prior to closing 7 lower at 264p. Geest shed 5 to 219p awaiting *today's annual results,* but Tavener Rutledge attracted support following Press comment and gained 8 to 96p.

Double figure losses were commonplace in the miscellaneous industrial leaders. International stocks were particularly unsettled by the sharp early reaction on *Wall Street,* with Beecham reacting 25 to 550p and BOC 14 to 440p, Glaxo fell ⅝ to £14⅝ and Boots gave up 15 to 273p. Hanson Trust, in contrast, held up reasonably *well at 166½p, after a volume of* 9.1m shares. Elsewhere, Wellcome *dipped 22 to 426p* and London International fell 12 to 276p, while U.S. favourite Reuters closed 24 off at 705p. UDO Holdings came on offer after the interim statement *and gave up 17 to 221p,* but Reed Executive, reflecting the profits forecast in excess of £6m advanced 41 to 557p. Week-end newspaper mention prompted fresh demand for Blue Arrow which rose 15 to 701p. Norank, a particu*larly good market last week, eased to 224p* on the announcement that talks are taking place with Spong which may lead to a merger of the two companies. Spong closed a penny lower at 28p. Pentland, a good market recently on the pre*liminary figures and proposed* two-for-one scrip issue, ran into profit-taking and closed 35 lower at 720p. Grampian Holdings, scheduled to reveal annual results today, improved 9 to 235p.

Sharply higher last week following the announcement that the company had started bid discus*sions, International Leisure Group* lost 8 to 180p on the revelation that talks involved an ILG management group, the purpose of which is to take the company private. *Elsewhere in the Leisure* sector, Campari firmed 3 to 184p *on details of* the return to profitability and £2.3m rights issue *proposal.*

Suggestions that Lucas Industries could be overpriced brought a reaction of 9½ to 577p while currency influences choked off interest in Jaguar, down 19 at 579p. The agreed share exchange offer from Hawley left British Car Auction little changed at 234p but lowered Hawley 11 to 139½p. Speculation continued to sur*round* Western Motor issues. Thoughts thtat the intended purchasers could use the company as a vehicle for expansion lifted the shares well above the recommended *offer price of 270p,* the close being 25 higher at 310p.

Investors in Home Counties Newspapers, 17 up at 392p, were obviously looking ahead to the preliminary results, scheduled for April 7. Paper/Printings generally followed the easier equity trend. BPCC fell 6 to 340p despite sharply *increased profits and* an outstanding start to the current year. USM-quoted stocks were volatile. Craton Lodge rising 14 to 100p and Michael Peters gaining 5 to 156p but Crown TV losing 5 to 65p. Elsewhere, Osprey Communications *jumped* 12 to 80p and Blenheim Exhibitions rose 9½ to 211p on comment plus news of a possible acquisition.

Losses among the Property leaders were *relatively modest. Land* Securities settled 8 off at 403p and MEPC 7 cheaper at 388p. British Land came back 4 to 197½p while Slough Estates shed 5 to 208½p, the latter's good annual profits outweighed by the slightly disappointing *net asset value. Else*where, Apex lost 15 to 130p following the agreed offer worth some £14.4m from Randsworth Trust. *Press comment lifted* Sheraton 4½ to 69p, after 70p, but profit-taking in the wake of the recent sharp *rise left Shield 28 lower at 320p.* London and Edinburgh rose 25 to *725p awaiting today's preliminary* figures.

Pitted against a dull backcloth in the Textile sector, S. Lyles rose 5 to 118p and G. & G. Kynoch gained to 255p. Sector leader Courtaulds lost buoyancy to end 7 down at 435p while John Crowther, despite a good weakend Press, closed 5 off at 216p.

British and Commonwealth suffered a relapse after last week's strength. News of the reorganisation of part of the group's activities, including the formation of a new commercial and services company, encouraged some short-term holders to *sell and price* retreated 20 to 450p. Associate *Caledonia Investments* dipped 32 to 358p. Elsewhere, MAI, 515p, and *Mercantile House,* 348p gave ground but Argyle Trust rallied *from* a weak three-day spell to close 5 up at 173p. Parambe were in demand at 108p, a gain of 8 on Friday's closing level.

Oils were badly hit by the Wall Street slide but closed well above the day's lowest levels. British Gas dipped 2½ to 91p, *BP 15 to 921p* and Ultramar 10 to 231p. LASMO, dropped 10 to 253p *in front of* today's preliminary figures, while *Burmah, scheduled to announce* full-year results on April 9, fell 8 to 452p.

The recent upsurge in mining markets continued apace with South Africans, Australians and platinums all posting further strong gains.

The weak dollar and a sharp sell *off in equity markets in London* and the US triggered a fresh advance by precious metals. Bullions rose $7 to $423.75—its highest closing level since October 23 last year.

South African Golds moved *ahead from the outset, with sub*stantial overseas and London buying interest again uncovering widespread *stock shortages.* Sterling prices were restrained by the rise in the pound against the dollar but the Gold Mines index still *managed a further gain of 5.4 to* 438.2—a jump of almost 100 points over the past ten trading sessions.

In the Gold Randfontein gained over 3 points to £90¾, while Western Deep jumped £1½ to £38¾, Driefontein ⅜ to £15⅞ and Winkelhaak ¾ to £18⅞.

Consolidated Gold Fields touched 974p early in the session before slipping back to close a net 19 up at 968p, helped by favourable Press comment; while Rio Tinto-Zinc, scheduled to announce preliminary results on April 9, jumped 16 more to 830p.

Record *rises* in gold shares in overnight Sydney and Melbourne markets prompted a scramble for Australian gold stocks in London. In the leading group of gold producers, Central Norseman leapt 125 to 885p, Gold Mines of Kalgoorlie a similar amount to £13¼, Sons of Gwalia 82 to 575p and Poseidon 65 to 520p. North Kalgurli added 5 at 57p. "Down-under" diversified issues were lead higher by Western Mining, 22 up at 342p, Peko-Wallsend 19 better at 318p and MIM, 9 firmer at 117p.

Traditional Options

- First dealings March 13
- Last dealings April 11
- Last declaration July 9
- For Settlement July 20

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included Norfolk Capital, Hampton Trust, Atlantic Resources, Johnson and Firth Brown, Tranwood, Property Trust, Blacks Leisure, Dares Estates, Sheraton Securities, Pentland Industries, Morgan Grenfell, Ultramar, Comtech, Berkeley and Hay Hill, Equity and General, Hazelwood Foods, Case, Newman Industries, Abaco, Parambe, North Kalgurli, York Trust, Munton Brothers, Eagle Trust, Benjamin Priest, F. H. Tomkins, Feedex, Hyman and Neil and Spencer. No puts were reported but a double opton was arranged in Hughes Food.

FINANCIAL TIMES STOCK INDICES

	Mar. 30	Mar. 27	Mar. 26	Mar. 25	Mar. 24	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	89.97	90.76	91.22	91.56	91.66	92.55	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.71	97.43	97.20	97.33	97.32	96.02	97.98 (19/3/87)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,582.2	1,620.6	1,614.9	1,623.0	1,625.2	1,402.2	1,625.2 (24/3/87)	1,094.3 (14/1/86)	1,625.2 (24/3/87)	49.4 (26/6/40)
Gold Mines	438.2	432.8	428.2	412.4	386.6	279.9	438.2 (30/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.71	3.63	3.65	3.64	3.63	3.87				
Earnings Yld.%(full)	8.45	8.31	8.37	8.34	8.33	9.26				
P/E Ratio (net) (*)	14.54	14.76	14.65	14.70	14.72	13.38				
SEAQ Bargains (5 pm)	54,984	50,538	55,725	57,282	61,385	—				
Equity Turnover (£m)	—	1,436.57	N/A	1,587.19	1,665.65	739.52				
Equity Bargains	—	63,824	N/A	71,695	70,209	26,768				
Shares Traded (ml)	—	537.0	N/A	683.0	633.7	284.9				

S.E. ACTIVITY

Indices	Mar. 27	Mar. 26
Gilt Edged Bargains	N/A	N/A
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day Average		
Gilt Edged Bargains	N/A	N/A
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1615.1	1609.9	1610.3	1603.2	1602.6	1602.6	1591.2	1578.2

Day's High 1617.3. Day's Low 1575.6

*Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.99.*

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (143)

AMERICANS (1), CANADIANS (1), BANKS (3), BREWERS (1), BUILDINGS (14), CHEMICALS (3), STORES (5), ELECTRICALS (5), ENGINEERING (3), FOODS (3), HOTELS (1), INDUSTRIALS (16), LEISURE (2), MOTORS (1), NEWSPAPERS (2), PAPER (9), PROPERTY (10), SOUTH AFRICANS (3), TEXTILES (1), TRUSTS (4), OILS (5), MINES (50), THIRD MARKET (2).

NEW LOWS (6)

BRITISH FUNDS (1) Treas. 8¾pc '97 B (£40 pd.), AMERICANS (1) Manufacturers Hanover, ELECTRICALS (3) Fujitsu, Ran Data Corporation, TDK Corporation, INDUSTRIALS (1) Hille Ergonom.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Mar 30 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri March 27 Index No.	Thur March 26 Index No.	Wed March 25 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (208)	862.41	−1.6	7.40	3.10	17.12	2.72	876.83	876.62	880.03	726.11
2	Building Materials (27)	1074.87	−1.4	7.28	3.09	17.27	0.72	1089.77	1085.72	1085.59	826.88
3	Contracting, Construction (29)	1463.49	−1.9	7.02	3.24	19.51	3.07	1491.46	1487.57	1493.35	1147.80
4	Electricals (12)	2142.89	−1.1	7.03	3.79	18.25	2.05	2166.42	2158.70	2164.13	1972.69
5	Electronics (38)	1896.97	−2.3	7.86	2.36	16.81	10.44	1942.14	1976.66	1998.00	1648.76
6	Mechanical Engineering (60)	485.68	−1.0	8.20	3.56	15.57	1.54	490.62	487.69	486.81	416.81
8	Metals and Metal Forming (7)	470.80	−1.0	7.70	3.37	15.78	0.00	475.35	471.18	472.66	331.77
9	Motors (15)	330.32	−2.0	8.23	3.30	14.04	2.63	336.94	333.15	337.17	291.33
10	Other Industrial Materials (20)	1476.22	−1.6	6.01	3.39	19.85	3.29	1499.90	1487.14	1488.85	1323.18
21	CONSUMER GROUP (187)	1162.36	−2.7	6.30	2.80	20.42	3.03	1194.01	1188.55	1200.04	949.58
22	Brewers and Distillers (22)	1062.18	−2.5	8.04	3.27	15.64	3.55	1089.62	1096.38	1107.56	956.25
25	Food Manufacturing (25)	883.23	−2.3	7.57	3.44	17.37	3.66	904.42	901.38	900.65	688.25
26	Food Retailing (16)	2154.49	−1.7	5.85	2.58	23.73	10.13	2192.15	2199.88	2204.55	1919.19
27	Health and Household Products (10)	2248.18	−4.0	4.23	1.72	27.45	0.28	2341.53	2295.97	2332.32	1579.76
29	Leisure (32)	1257.82	−2.3	6.01	3.42	22.00	8.62	1287.83	1281.97	1287.28	946.81
31	Packaging & Paper (14)	606.03	−2.0	5.83	2.81	22.25	2.03	618.63	609.31	614.96	463.34
32	Publishing & Printing (14)	3555.97	−1.8	5.71	3.28	22.52	5.18	3621.27	3602.91	3634.53	2371.37
34	Stores (37)	973.78	−2.8	4.66	2.80	20.41	1.46	1001.99	1002.35	1020.59	958.10
35	Textiles (17)	710.91	−1.3	7.31	3.01	15.73	0.44	720.23	714.49	717.08	557.42
40	OTHER GROUPS (87)	982.49	−2.0	8.00	3.50	15.51	4.17	1002.22	993.97	994.35	848.45
41	Agencies (17)	1425.74	−2.1	4.35	1.74	31.08	6.40	1455.97	1425.51	1413.73	0.0
42	Chemicals (21)	1238.93	−2.9	7.84	3.57	15.62	16.19	1276.11	1260.07	1254.53	913.77
43	Conglomerates (12)	1283.22	−0.7	6.83	3.43	17.33	2.13	1292.79	1273.43	1278.04	0.0
45	Shipping and Transport (11)	1985.11	−1.5	6.76	4.10	17.92	2.98	2014.75	2006.72	2003.44	1655.21
47	Telephone Networks (2)	978.31	−2.2	9.56	3.94	14.26	1.09	1000.41	1001.42	1016.07	1034.79
48	Miscellaneous (24)	1363.44	−1.8	8.89	3.32	12.68	3.29	1387.79	1376.85	1358.83	1033.32
49	INDUSTRIAL GROUP (482)	1049.01	−2.2	7.04	3.06	18.00	3.35	1072.76	1067.96	1074.06	875.51
51	Oil & Gas (18)	1884.20	−2.2	9.00	4.73	14.05	35.18	1927.41	1901.81	1871.82	1194.40
59	500 SHARE INDEX (500)	1119.78	−2.2	7.33	3.31	17.28	6.14	1145.18	1138.56	1141.48	904.59
61	FINANCIAL GROUP(118)	683.07	−1.5	—	4.28	—	5.94	698.81	697.96	699.16	624.02
62	Banks (8)	718.11	−2.0	18.80	5.32	7.25	12.84	733.13	732.83	737.64	686.48
65	Insurance (Life) (9)	960.97	−1.5	—	4.34	—	0.66	975.32	987.37	996.26	887.59
66	Insurance (Composite) (7)	531.68	−0.9	—	4.47	—	5.04	536.39	540.67	538.85	510.84
67	Insurance (Brokers) (9)	1193.04	−1.6	8.83	4.59	14.64	13.35	1212.42	1202.46	1200.17	1266.02
68	Merchant Banks (11)	378.18	−1.7	—	3.33	—	0.71	384.60	383.75	385.19	369.43
69	Property (48)	957.33	−1.1	4.79	3.13	27.21	1.64	968.20	963.11	959.13	744.05
70	Other Financial (26)	465.39	−1.7	7.02	3.30	18.20	2.35	473.64	461.67	459.47	354.43
71	Investment Trusts (95)	975.83	−1.7	—	2.43	—	4.64	992.46	991.17	989.56	748.38
81	Mining Finance (2)	436.69	+1.4	7.01	3.77	16.76	1.89	430.54	406.84	409.12	320.65
91	Overseas Traders (12)	905.81	−0.5	8.98	4.94	13.49	10.30	910.75	902.60	902.37	702.43
99	ALL-SHARE INDEX(727)	1004.17	−2.0	—	3.44	—	5.97	1025.08	1019.40	1021.72	822.45

	Index No.	Day's Change	Day's High	Day's Low	March 27	March 26	March 25	March 24	March 23	Year ago
FT-SE 100 SHARE INDEX ♦	2002.5	−46.1	2046.1	1993.7	2048.6	2037.8	2042.9	2064.5	2033.0	1688.5

FIXED INTEREST

	PRICE INDICES	Mon March 30	Day's change %	Fri March 27	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.21	−0.28	123.56	—	3.21
2	5-15 years	142.41	−0.98	143.82	—	3.32
3	Over 15 years	150.69	−1.27	152.63	—	3.45
4	Irredeemables	165.74	−1.30	167.93	—	1.62
5	All stocks	138.51	−0.83	139.67	—	3.32
	Index-Linked					
6	5 years	120.21	−0.10	120.33	—	0.83
7	Over 5 years	122.85	−0.37	123.05	—	0.88
8	All stocks	122.41	−0.16	122.60	—	0.88
9	Debentures & Loans	124.32	−1.05	125.64	—	2.15
10	Preference	87.14	−0.46	87.55	—	1.56

	AVERAGE GROSS REDEMPTION YIELDS		Mon March 30	Fri March 27	Year ago (approx.)
	British Government				
1	Low	5 years	8.14	8.04	8.27
2	Coupons	15 years	9.14	8.97	8.63
3		25 years	9.16	8.99	8.63
4	Medium	5 years	9.18	9.00	9.28
5	Coupons	15 years	9.32	9.16	9.02
6		25 years	9.32	9.16	8.94
7	High	5 years	9.29	9.11	9.33
8	Coupons	15 years	9.43	9.28	9.16
9		25 years	9.24	9.11	9.04
10	Irredeemables†		9.12	8.99	8.72
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.56	2.42	3.70
12	Inflat'n rate 5%	Over 5 yrs	3.32	3.31	3.62
13	Inflat'n rate 10%	5 yrs	1.93	1.32	2.64
14	Inflat'n rate 10%	Over 5 yrs	3.18	3.17	3.46
15	Debs & Loans	5 years	9.81	9.70	10.17
16		15 years	10.13	9.93	10.07
17		25 years	10.21	10.16	9.97
18	Preference		10.72	10.66	11.31

♦Opening index 2042.7; 10 am 2036.7; 11 am 2036.5; Noon 2028.7; 1 pm 2027.2; 2 pm 2027.0; 3 pm 2014.2; 3.30 pm 2014.3; 4 pm 1996.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*390)	330	65	73	83	1	5	5
	360	37	50	63	2	10	17
	390	15	32	43	10	20	25
	420	4	14	25	33	40	45
Brit. Airways (*131)	100	31	34	38	1	3	3
	110	21	26	30	1	3	6
[illegible]							

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*317)	280	48	57	73	3	13	15
	300	35	50	60	17	25	28
	330	20	33	45	32	38	40
	360	7	20	—	47	48	—
Ladbroke (*427)	343	90	95	—	1	1½	—
	373	60	72	—	1	2	—
[illegible]							

March 30. Total Contracts 44,895. Calls 29,846. Puts 15,049 FT-SE Index Calls 1,417. Puts 1,644. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,900	150	−5	Ladbroke	950	426	−12
Allied Lyons	2,700	389	−12	Land Securities	1,400	403	−8
Amstrad	2,500	177	−5	Legal & Gen.	1,300	280	−8
Assoc. Brit. Foods	1,100	351	−17	Lloyds Bank	677	454	−13
BAT	3,800	538	−9½	Lonrho	7,000	285½	−0½
BET	229	503	−7	MEPC	1,100	388	−7
BOC	970	440	−14	Marks & Spncr	2,800	219	−6
BPB Inds	91	700	−11	Midland Bank	568	629	−13
BPCC	1,400	340	−6	NatWest Bank	741	587	−12
BTR	1,600	327	−7	Pearson	707	588	−10
Barclays	3,700	497	−12	P & O	1,200	628	−12
Bass	431	912	−16	Pilkington Bros	556	796	−12
Beecham	2,800	550	−25	Plessey	5,100	236	−13
Blue Circle	1,700	818	+7	Prudential	881	882	−15
Boots	4,300	273	−15	Racal	2,400	229	−2
Brit. Airways	12,000	129	−1	Rank Org	160	688	−11
Brit. Aero	1,300	640	−6	RHM	561	922	−2
Brit. Gas	18,000	91	−2½	Reckitt & Col	48	981	−14
Britoil	4,200	242	−3	Redland	505	484	−3
BP	8,200	921	−15	Reed Intl	607	594	−9
Brit. Telecom	8,800	250	−5	Reuters	840	705	−24
Bunzl	230	235	−6	RMC	202	827	−15
Burton	6,100	297	−9	RTZ	2,150	822	+6
Cable & Wire	7,200	362	−12	Rowntree Mac	860	489	−8
Cadbury Schwps	4,300	245	−9	Ryl Bnk of Scotland	2,100	316	−18
Coats Viyella	287	593	−6	Royal Insurance	753	934	+2
Comm. Union	1,800	323	−6	STC	1,800	253	−6
Cons. Gold	1,200	968	+19	Saatchi & Saatchi	1,900	653	−15
Cookson	109	598	−12	Sainsbury	1,200	495	−7
Courtaulds	1,300	435	−7	Scot & Newcastle	646	228	−8
Dee Corpn	4,500	236	−1½	Sears	4,000	128	−4
Dixons Grp	2,800	391	−10	Sedgwick	1,200	330	−8
English China Clays	750	411	−7	Shell Trans	4,800	£12⅛	−0⅛
Fisons	1,200	657	−15	Smith & Nephew	2,000	160½	−9
Gen. Accident	105	942	−7	Standard Chart	444	827	−10
Gen. Elect	5,100	206	−6	Storehouse	2,700	290	−15
Glaxo	1,500	£14⅝	−0⅝	Sun Alliance	658	787	−7
Globe Investment	682	154½	−3½	TSB	9,600	86	−0½
Granada	1,300	346	−2	Tarmac	1,100	516	−20
Grand Met	2,000	468	−8	Tesco	1,400	472	−8
Gus "A"	250	£12 7/16	−0 7/16	Thorn EMI	3,300	623	—
Guardian R.E.	355	899	−18	Trafalgar House	1,200	345	−5
GKN	1,200	321	−8	T'house Forte	7,600	233	−10
Guinness	4,050	317	−13	Unigate	461	393	−8
Hammerson Prop	742	523	−7	Unilever	200	£25¼	−0⅛
Hanson Trust	10,000	166½	−0½	United Biscuits	2,300	283	−5
Hawker Sidd	463	531	−2	Wellcome	2,100	427	−21
Hillsdown Hlgs	2,200	264	−7	Whitbread 'A'	1,100	317	−14
ICI	2,000	£13¼	−0½	Willis Faber	342	422	−10
Imp. Cont. Gas	373	718	−8	Woolworth	1,600	790	−40
Jaguar	1,500	580	−18				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	110	3
Corporations, Dominion and Foreign Bonds	1	18	49
Industrials	262	885	394
Financial and Properties	79	319	189
Oils	16	51	45
Plantations	1	4	9
Mines	93	31	57
Others	30	114	61
Totals	482	1,532	807

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§150	F.P.	—	180	160	Admiral Computing 5p	178	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. [illegible]

WORLD STOCK MARKETS

AUSTRIA

Mar. 30	Price Sch.	+ or −
Credi'nst'it pp	2,000	−10
Goesser	3,050	......
Interunfall	12,800	−200
Jungbunzlauer	8,870	......
Laenderbank	1,945	+5
Perlmooser	682	+5
Steyr Daimler	140	......
Veitscher Mag	895	......

BELGIUM/LUXEMBOURG

Mar. 30	Price Frs.	+ or −
B.B.L	5,070	+20
Banq.Gen. Lux	15,400	......
Banq.Int.A.Lux	14,800	......
Bekaert	11,000	−250
Ciment CBR	5,200	−50
Cockerill	133	−5
Delhaize	3,300	......
EBES	5,380	......
Fabrique Nat	1,695	+25
GB Inno BM	1,050	−90
GBL (Brux)	3,680	−10
Generale Bank	6,750	−50
Gevaert	6,610	−40
Hoboken	6,950	−170
Intercom	4,300	−100
Kredietbank	4,545	−55
Pan Holding	11,300	......
Petrofina	10,175	−75
Royale Belge	24,550	−49
Soc.Gen. Belge	3,400	−50
Sofina	13,850	−550
Solvay	9,750	−150
Stanwick Int	430	
Tractebel	6,900	−100
UCB	10,000	+100
Wagons Lits	6,880	......

GERMANY

Mar. 30	Price Dm.	+ or −
AEG	3,095	−3
Allianz Vers	1,710	−25
BASF	288	−7
Bayer	304.6	−2.9
Bayer-Hypo	438	
Bayer-Verein	442	−3
BHF Bank	434	−5
BMW	519	−1
Brown Boveri	310	−5
Commerzbank	276.5	+0.5
Cont'l Gummi	326.5	−4.5
Daimler-Benz	1,003	−15
Degussa	480	+5
D'sche Babcock	212	−5.5
Deutsche Bank	671	−6
Dresdner Bank	348.2	−1.3
Feld-Muehle Nbl	290.5	−0.5
Henkel	490	+2
Hochtief	756	......
Hoechst	272	−4.7
Hoesch Werke	105.5	−0.5
Holzmann (P)	440	......
Horten	221	+3.8
Hussel	562	−8
Karstadt	425.2	+1.7
Kaufhof	471	+2
KHD	145.8	−1.7
Kloeckner	59.5	−0.8
Linde	666	+7
Lufthansa	151.6	+1
MAN	173.7	−1.3
Mannesmann	170	−1
Mercedes Hld	830	−5
Metallgesell	299.5	+1.8
Muench Rueck	1,900	+80
Nixdorf	747	−5.9
Porsche	855	−10
Preussag	147.5	+1
Rhein West Elect	215	−1
Rosenthal	292	−1
Schering	505	−3

NORWAY

Mar. 30	Price Kroner	+ or −
Bergens Bank	165	−2
Bergesen B	250	+5
Christiania Bank	180.5	−2
DenNorske Cred	149	−1
Elkem	96.5	−1.5
Kosmos	140.5	−0.5
Kvaerner	183	......
Norcem	132.5	−1
Norsk Data	245	−2.5
Norsk Hydro	175.5	......
Orkla-Borregaad	434	−3
Storebrand	333	+0.5

SPAIN

Mar. 30	Price Pts %	+ or −
Bco Bilbao	1,530	+10
Bco Central	1,050	−5
Bco Exterior	455	+15
Bco Hispano	605	......
Bco Popular	1,700	+50
Bco Santander	1,132	−9
Bco Vizcaya	1,734	+36
Banesto	784	......
Dragados	535	−21.2
Hidrola	73.7	+2.5
Iberduero	114.5	+4.5
Petroleos	[illegible]	−12
Telefonica	168.5	−0.5

CANADA

TORONTO

Prices at 2.30pm March 30

Indices

NEW YORK

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 51

NYSE COMPOSITE CLOSING PRICES

Continued from Page 51

LONDON Chief price changes (In pence unless otherwise indicated)

RISES:

Braithwaite	385	+ 18
Centr Norsem	885	+125
Cons. Gld Flds	968	+ 19
Craton Lodge	100	+ 14
EBC	165	+ 20
Home Counties	392	+ 17
Osprey Comms.	80	+ 12
Parambe	108	+ 08
Poseidon	520	+ 65
Sons of Gwalia	575	+ 82
Superdrug	653	+173
Tip Top Drug	173	+ 23
Western Mng	342	+ 22
Western Mot	310	+ 25
Wordplex	182	+ 12

FALLS:

Tr. 8pc 2002-06	£89½	− 1¾
Beecham	550	− 25
Brit. & Comm.	450	− 20
Cable & Wirel	362	− 12
Caledonia Invs.	356	− 32
Dewey Warren	200	− 20
Hawley	139½	− 11
Jaguar	579	− 19
Pentland Inds.	720	− 35
Plessey	236	− 13
Reuters B	705	− 24
Roy. Bk. of Scot.	316	− 18
TI Group	669	− 20
Wellcome	426	− 22
Woolworth	790	− 40

Prices at 3pm, March 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 51

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 50

Continued on Page 49

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, 3pm prices

Continued on Page 49

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Fears of trade war spark wave of selling

WALL STREET

THE PLUNGING dollar triggered a wave of selling on Wall Street yesterday before stock prices found some support at sharply lower levels, *writes Roderick Oram in New York.*

Bonds remained under pressure all day. The bearish mood stemmed from fears of rising inflation and worries that Washington's retaliation against Japanese semiconductor trade could provoke wider protectionism which would damage profits and perhaps cause a recession.

The Dow Jones industrial average plunged 80 points in the first hour of trading as many investors sold shares to realise the profits they have made during the market's spectacular rally this year. *Foreign investors, including the* Japanese, were at the forefront of yesterday's heavy volume with 70m shares traded in the first hour, the second-busiest opening hour ever. The record of 82m shares was set in April 1986.

By mid-morning, the selling spree had abated as investors took a cautious wait-and-see attitude. The Dow industrial index staged a partial recovery which it maintained for the rest of the session on slacker volume.

The index closed down 57.39 points at 2,278.41, the third largest drop ever in points terms. Broader market indices followed a similar trend with the Standard and Poor's *500 index shedding 6.93 points* to close at 289.20. New York Stock Exchange volume was 208.8m shares.

Semiconductor and computer stocks fell sharply on worries that Washington's retaliation against the Japanese could have negative repercussions. Shortly before the close, Motorola was off $1⅜ to $53⅝, National Semiconductor was off $⅝ to $14½, Intel lost $1½ to $39¼ and Advanced Micro Devices had given up $½ to $19⅞. Going against the trend, Texas Instruments, which will benefit substantially from recently negotiated royalty payments from Japanese producers, was up $1⅜ to $183⅜.

Among computer makers, Digital Equipment dropped $3¾ to $157⅞, Unisys lost $2¼ to $97½, Cray Research gave up $2½ to $120⅝ and Hewlett-Packard fell $1 to $56⅛.

In contrast, IBM rose $1⅜ to $152⅜. Industry observers believe IBM's unveiling on Thursday of its newest family of personal computers is IBM's most important new product *announcement* in that market since entering it in 1981. The new family should pose a considerable threat to makers of "clone" computers.

Drug stocks suffered in yesterday's currency-related downdraft even though they had benefited in recent months from a falling dollar which should boost their exports. Merck fell $4⅞ to $154, Squibb lost $3⅜ to $145⅛, Upjohn gave up $4 to $118, Eli Lilly dropped $2¼ to $92⅝ and Abbott Laboratories fell $1½ to $60⅜.

In the takeover arena, Harper Row jumped $8½ to $64½ on news that a unit of Mr Rupert Murdoch's *News Corp* had agreed to take over the publisher at $65 a share, roughly double the share price before a bidding contest started a few weeks ago.

Santa Fe Southern Pacific rose $1⅞ to $38 on heavy volume after Henley, down $⅜ to $26, had declared a stake in the railroad and energy group.

Sci-Med Life Systems rose $3½ to $27½ in the over-the-counter market. The manufacturer of disposable medical equipment agreed to be taken over by Bristol-Myers, which fell $1½ to $100⅝, through a swap of 0.285 of a Bristol-Myers share for each Sci-Med share.

American Express, down $2½ to $73⅝ in ex-dividend trading, announced a target price of $34 to $38 a share for its public offering of shares in its Shearson Lehman brokerage subsidiary.

Other brokerage stocks gave up ground on fears that the turmoil in stock and bond markets could affect their earnings.

Credit markets were shaken by the collapse of the dollar overnight in Tokyo. US government bond prices fell in sympathy as markets expected the weakness of the US currency to reduce foreign demand, particularly Japanese – for the securities. Last week's $25bn Treasury refunding was little affected by the dollar's weakness because demand was almost entirely domestic for such short maturities. The greatest impact yesterday was on long maturity bonds which are the staple of Japanese investors. At its worst, the price of the 7.50 per cent benchmark Treasury long bond was down 2 points in late afternoon at 96⅞ at which it yielded 7.83 per cent.

Against this background, markets will watching carefully this morning's release of February's index of leading economic indicators. A rise of about 0.6 per cent from January's surprising 1 per cent fall is the median estimate of economists.

CANADA

THE DOLLAR'S fall spurred intense selling in Toronto to push prices into a broad retreat.

Worries that the lower dollar would lead to a rise in US interest rates hit banks particularly. Toronto Dominion Bank lost C$⅜ to C$28, the Bank of Nova Scotia fell C$¼ to C$18⅜ and Canadian Imperial Bank of Commerce lost C$⅛ to C$21⅛. Royal Bank of Canada was C$⅜ down at C$33⅜.

Gold stocks, boosted by the healthy bullion price, were an exception. Dome Mines rose C$⅜ to C$17⅜, and Hemlo Gold picked up C$¼ to C$26⅜.

Montreal declined, but Vancouver prices firmed slightly.

American Express details Shearson offering

By Anatole Kaletsky in New York

AMERICAN EXPRESS filed details yesterday of its public offering of an 18 per cent stake in Shearson Lehman Brothers, the third-largest investment bank on Wall Street.

American Express said it would sell 18m shares in Shearson at a price of between $34 and $38, suggesting that it hopes to receive net proceeds of around $650m from the transaction.

The public offering is part of a complex deal, announced last week, in which American Express will also sell a 13 per cent stake in Shearson Lehman to Nippon Life, Japan's largest life insurance company, for $41.50 a share or $538m. A further 8.5 per cent of Shearson will be made available to the investment *bank's employees through* a combination of employee purchases and incentive schemes.

The proceeds of the Nippon Life and employee stock purchases will be used entirely to boost the capital of Shearson Lehman while American Express will receive the money raised by *the public stock offering.*

No specific date has been set yet for the public stock offering, but American Express said it expected to proceed in four to six weeks' time.

Of the 18m shares in Shearson Lehman to be sold to the public, 14m will be offered in the US through a group of underwriters led by Shearson Lehman itself, Bear Stearns, First Boston, Morgan Stanley, Merrill Lynch and Salomon Brothers. The other 4m shares will be offered outside the US by a syndicate led by Shearson Lehman International.

Of the 8.5m shares to be made available to employees, 5m will be issued to 280 Shearson Lehman executives in exchange for cancellation of their rights under the present Shearson profit sharing programme, which is linked to the value of American Express stock.

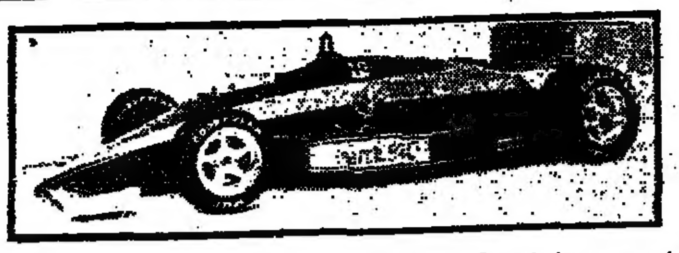
A further 2.5m shares will be sold for cash to Shearson employees at a price linked to that of the public offering, and a further 1m shares will be sold to a newly formed employee stock ownership plan.

In addition, options to purchase a total of 3.5m shares, some with transfer restrictions and "golden handcuffs" attached, will be granted to key Shearson executives.

After all the transactions are completed, American Express will retain a 60.5 per cent stake in Shearson, and its agreement with Nippon Life provides that it will not reduce this stake to less than 40 per cent before January 1990.

John Griffiths in London reports on the route taken by a racing car maker to the stock market

Forward March heads for the USM



MARCH ENGINEERING, the UK racing car maker which has won the Indianapolis 500, the top US motor race, for four years in a row, is being floated on the London unlisted securities market (USM).

De Zoete and Bevan aims to launch the offer, which is expected to value the company at about £14m ($22.4m) early next month so that trading can start immediately after the Brazilian Grand *Prix* on April 12. The event marks March's return to Grand Prix racing after six years.

Mr Robin Herd, March executive chairman and former chief designer for the McLaren team, owns the company. Under the offer, which will expand the number of shares by about one third, his holding will fall to about 60 per cent.

Shares worth about £1m at the expected offer price are to be distributed before the listing to longer-serving employees.

The offer is expected to raise £2m from the shares being sold by Mr Herd and £2.5m from the new shares. Of the latter, £500,000 will be used to repay a loan from Mr Herd, with the rest allocated to development of March's engineering consultancy work.

In 1986, March made pre-tax profits of £1.6m on turnover of £11m.

"At first sight," concedes Mr Herd "it is a pretty odd flotation."

Based at Bicester in Oxfordshire, March makes a small range of cars, the most popular of which sells for $174,500, seats one person and does not include an engine.

For the past four years the company has dominated the Indianapolis 500 and other US Grand Prix races. Two years ago every car on the grid bore its name and its cars have won the last four Indianapolis 500s in a row. Earlier this month the company produced its 200th Indi car.

Throughout the 1970s March was also one of the best known Grand Prix competitors.

The Indianapolis victories and the prestige attached to his racing car company, a major design award and a personal CBE have persuaded the 47-year-old Mr Herd that March had become a viable member of the USM.

The proclaimed reasons for doing so are a lot less unusual than March's activities: funds for expansion and diversification and "because I want some of my money out" says Mr Herd.

Mr Herd is the first to admit that a flotation based wholly on racing would not quite be the stuff on which investors' dreams are made. In reality the company is becoming more diversified than the publicity about it has suggested.

A consultancy along the lines of those at Lotus, International Automotives Design, Hawtal Whiting and other UK design and engineering specialists, says Mr Herd, is established and growing fast.

Among the projects already undertaken is General Motors' Oldsmobile Aerotech proto-type concept car.

While Mr Herd is reticient about it, most of the motor racing world already knows that Nissan's technical contribution to its World Sports Car Championship cars, now challenging Porsche and Jaguar at races such as Le Mans, has consisted of dropping off engines in crates at March's front door.

The Nissan cars' design and engineering involved two March subsidiaries – Comptec and Aerotec, recently established 20 miles away at Brackley, Northamptonshire.

Comptec is the plastics composites division. Mr Herd forecasts an explosion in the use of composites, particularly in the aerospace industry, during the 1990s and says that March, with long experience of the materials in high stress usage, stands well placed to benefit.

Aerotec undertakes aerodynamic engineering and was responsible for the design-through-installation process for its own 30 metre long wind tunnel over three months when the company was quoted a two-year delivery time by a leading West German specialist manufacturer.

March is equally proud of being able to take the Nissan race car from a blank sheet of paper and put it on a race track within 14 weeks.

Last year March produced 104 racing cars, most of them Indi cars and European Formula 300 units. Included in the total were 10 sports cars.

While acknowledging that Grand Prix is often seen as a licence to burn money, Mr Herd says that March's re-entry to it will be on a fully commercial basis. March intends to add another competition car production line within the next three years, enabling a huge jump in output.

ASIA

Nikkei in second biggest daily fall

TOKYO

THE YEN'S sharp appreciation and the US decision to take retaliatory trade measures against Japan caused the exchange to suffer its second worst setback in history yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average plummeted 550.45 to 21,628. The largest recorded fall was 637.33 on September 16 last year. Due to a strong wait-and-see mood, turnover dropped steeply from the record high of 2.82bn shares last Friday to 1.07bn. Losses outnumbered gains 635 to 208, with 118 issues unchanged.

Reflecting Friday's record turnover in volume and value and the Nikkei's all-time high, the Tokyo market remained firm on Saturday and opened strongly yesterday. After buying had run its course, however, selling increased to push share prices down.

Negative factors hit blue-chip electricals particularly hard. NEC fell Y130 to Y1,460 under pressure *from increased foreign selling,* while JVC shed Y170 to Y1,890. Hitachi lost Y65 to Y885 and Matsushita Electrical Industrial Y60 to Y1,440.

Precision instruments also lost ground, with Nippon Kogaku and Ricoh losing Y49 and Y600 and Y67 to Y733, respectively. Fuji Photo Film tumbled Y210 to Y2,748 because X-ray film is on the list of Japanese products subject to 100 per cent import tariffs in the Reagan Administration's retaliation against Japanese companies' alleged violation of a bilateral chip trade agreement.

Large-capital stocks also suffered huge losses, with a slide in buying by institutional investors. Nippon Steel topped the actives, but its volume shrank from Friday's 437.37m shares to only 85.43m and it closed Y22 down at Y345. Nippon Kokan *fell Y34 to Y279, Sumitomo Metal* Y26 to Y221 and Ishikawajima-Harima Heavy Industries Y61 to Y498.

Tokyo Electric Power closed Y330 cheaper at Y8,450 and Tokyo Gas Y50 lower at Y1,340.

Among acquired immune deficiency syndrome (AIDS) related stocks, Ajinomoto finished at *Y4,000, down Y280, Sumitomo* Chemical at Y817, off Y38, and Takeda Chemical at Y2,980, down Y50. However, Asahi Chemical, which last week announced the development of a filtring system for the AIDS virus, gained Y60 to Y1,110 on the second largest trading of 44.15m shares.

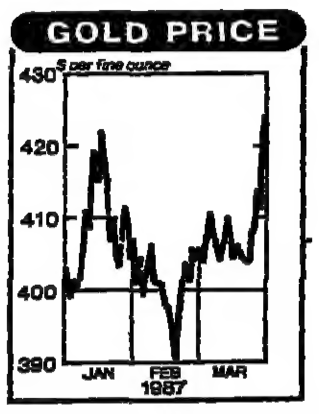
Constructions firmed temporarily, but faded later. Taisei Corp. closed Y50 lower at Y1,090 after advancing Y20 at one stage. Ohbayashi Corp. was also Y50 down at Y1,160.

In contrast, investors sought companies undertaking research and development of superconducting materials. Among them Furukawa Electric rose Y22 to Y817.

The yen's rise temporarily strengthened bond investors' expectations of a further cut in Japan's official discount rate, but bank and securities house dealers later grew cautious of the future trend of bond prices in the wake of the Bank of Japan's market intervention to support the dollar and a large drop in the price of the 30-year US Treasury bond in Tokyo.

The yield on the 5.1 per cent government bond due in June 1996 tumbled from Saturday's 4.150 per cent to an all-time low of 4.070 per cent in block trading on the Tokyo exchange at one stage, but closed at 4.155 per cent. The yield continued to rise in inter-dealer trading after the close, reaching 4.480 per cent.

GOLD PRICE



AUSTRALIA

THE EIGHTH consecutive record was scored in Sydney as gold issues jumped in response to the higher bullion price. The All Ordinaries index surged 21.1 to 1,711.5 while the gold index soared 204.4 points, or 7.7 per cent, to 2,825.7.

Turnover was heavy at 174m shares worth A$307m. Among leading gold issues Central Norseman gained A$2.50 to A$20 while GMK added A$1.50 to A$29. Kidston at A$8.50 was 70 cents stronger. BHP Gold Mines rights were actively traded with 8.4m changing hands and closing 7 cents higher at A$1.35.

Peko Wallsend led the resource *sector with a 48-cent rise to A$7.30* in belated reaction to Friday's news that IEL had acquired 10 per cent of the group.

The weaker trend among industrials was attributed by brokers to the surge of interest in mining issues: ACI gave up 10 cents to A$4.00, Humes and Amcor were 5cents cheaper at A$3.05 and A$4.80, respectively, while Pacific Dunlop was 5 cents down at A$4.70.

HONG KONG

HEAVY FOREIGN selling of utilities exerted pressure on Hong Kong as the Hang Seng index retreated 23.86 to 2,774.88 after a mid day advance of 14 points.

Trading was dominated by the expiry yesterday of March contracts in Hang Seng index futures.

Dairy Farm International's 26 per cent advance in profits failed to excite, and the food retailer dropped 12½ cents to HK$4.67½. Jardine Matheson, which indirectly controls Dairy Farm, dropped 80 cents to HK$24.

Among utilities China Light was 70 cents down at HK$21.70, HK Electric was 20 cents off at HK$13.90 and HK-TVB at HK$12.80 was 10 cents lower.

Among properties Hang Lung Development retreated 10 cents to HK$12.10 and New World Development was 10 cents cheaper at HK$10.40. Sun Hung Kai Properties added 20 cents to HK$25.50, and Wharf eased 5 cents to HK$8.90.

Banks managed to post some gains despite the overall fragile nature of the session: Bank of East Asia was 20 cents higher at HK$19.90, *Hang Seng Bank* at HK$53 was HK$1 up and Hong Kong Bank was unchanged

SINGAPORE

PROFIT-TAKING trimmed some of the recent gains in Singapore as the *Straits Times* industrial index shed 6.62 to 1,073.42.

United Motor Works, most active with 1.9m shares traded, edged ½ cent lower to 77½ cents while Sea-lion Hotel was unchanged on turnover of 950,000 shares.

Straits Trading retreated 24 cents to S$4.12 while OCBC, 15 cents down at S$9.70, and UOB, off 10 cents at S$5.10, failed to respond to higher year end figures.

Other features included Singapore Airlines which closed 20 cents down to S$11.50 while Fraser & Neave was 15 cents cheaper at S$9.95. Losses of 10 cents were recorded by Genting at S$6.70, Singapore Press at S$8.00, DBS at S$11.90, Metro at S$7.80, National Iron at S$5.20 and Singapore Bus at S$4.62.

SOUTH AFRICA

THE SLIGHT weakening in the *bullion price from its strong recent* advance pulled Johannesburg gold shares off the day's highs but left them firmer overall. The strengthening of the financial rand also contributed to the late fade in prices.

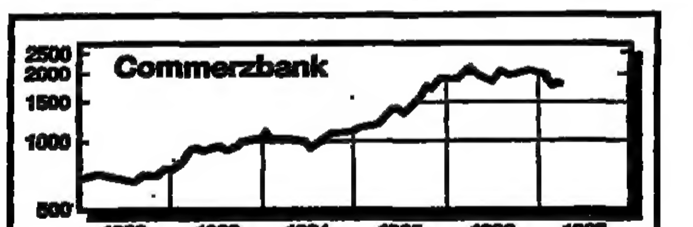
Among golds Driefontein added 75 cents to R72, Vaal Reefs put on R7 to R387 after touching R395, and Free State Consolidated Gold Mines was 75 cents up at R53.25.

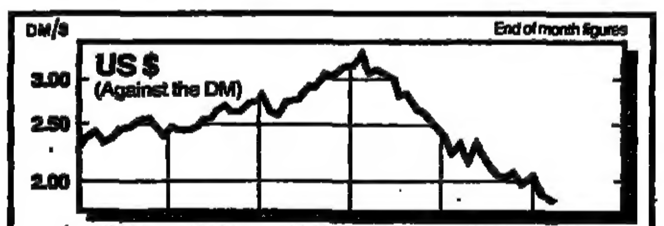
Mining house stocks also firmed, with Anglo American 50 cents firmer at R68 and Gold Fields of South *Africa up 25 cents at R59.*

In platinums, Rustenburg gained 50 cents to R46.50, and Impala picked up R1 to R45.50. However, diamond share De Beers, trading ex-dividend, lost R1.50 to R38.75.

Industrials continued their strong run, the sector index posting another record high, up 13 on Friday's close at 1,736. Barlow Rand edged 15 cents higher to R22.15. Sasol, the oil-from-coal producer, added 10 cents to close at R10.60.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 30	Previous	Year ago
NEW YORK			
DJ Industrials	2,268.22*	2,335.80	(c)
DJ Transport	920.54*	935.44	(c)
DJ Utilities	212.52*	217.07	(c)
S&P Comp.	288.86*	296.13	(c)
LONDON FT			
Ord	1,582.2	1,620.6	1,402.2
SE 100	2,002.50	2,048.60	1,668.80
A All-share	1,004.17	1,025.08	822.09
A 500	1,119.78	1,145.18	903.13
Gold mines	438.2	432.8	279.9
A Long gilt	9.24	7.57	9.10
TOKYO			
Nikkei	21,627.57	22,028.6	15,384.3
Tokyo SE	1,883.68	1,922.08	1,228.88
AUSTRALIA			
All Ord.	1,711.5	1,690.9	(c)
Metals & Mins.	924.0	874.2	(c)
AUSTRIA			
Credit Aktien	200.46	200.39	(c)
BELGIUM SE	4,410.84	4,480.61	(c)
CANADA			
Toronto			
Met.& Mins.	2,604.8*	2,641.27	2,388.0
Composite	3,743.0*	3,805.3	(c)
Montreal			
Portfolio	1,843.17*	1,879.0	(c)
DENMARK SE	199.74	200.96	(c)
FRANCE			
CAC Gen	454.70	459.0	(c)
Ind. Tendance	115.0	116.4	(c)
WEST GERMANY			
FAZ-Aktien	581.63	587.18	(c)
Commerzbank	1,792.80	1,779.4	(c)
HONG KONG Hang Seng	2,774.88	2,798.74	(c)
ITALY Banca Comm.	711.49	715.58	712.75
NETHERLANDS ANP CBS			
Gen	280.30	280.4	(c)
Ind	254.10	253.7	(c)
NORWAY Oslo SE	412.50	413.44	(c)
SINGAPORE Straits Times	1,073.42	1,080.04	(c)
SOUTH AFRICA JSE			
Golds	—	1,946.00	(c)
Industrials	—	1,723.00	(c)
SPAIN Madrid SE	229.02	227.31	(c)
SWEDEN J & P	2,555.80	2,574.63	(c)
SWITZERLAND Swiss Bank Ind	590.40	593.1	(c)
WORLD MS Cap. Int'l March 26	441.50	437.5	(c)

COMMODITIES (London)

	March 30	Prev
Silver (spot)	387.00p	371.1p
Copper (cash)	£944.50	£951.00
Coffee (July)	£1,286.00	£1,277.00
Oil (Brent)	$18.25	$18.375

GOLD ($/oz)

	March 30	Prev
London	$423.75	$418.75
Zürich	$422.25	$417.25
Paris (fixing)	$421.49	$414.43
Luxembourg	$424.20	$415.55
New York (June)	$427.8*	$427.5

CURRENCIES (London)

	US DOLLAR Mar 30	US DOLLAR Previous	STERLING Mar 30	STERLING Previous
$	–	–	1.6105	1.6030
DM	1.8045	1.8235	2.905	2.9225
Yen	146.35	147.85	235.75	236.75
FFr	6.01	6.0675	9.68	9.725
SFr	1.5060	1.5195	2.425	2.435
Fl	2.0375	2.0555	3.2825	3.3025
Lira	1,286.0	1,298.5	2,071.0	2,081.5
BFr	37.40	37.70	60.25	60.45
C$	1.3070	1.3065	2.1045	2.09225

INTEREST RATES

	Mar 30	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9[illegible]
SFr	3⅝	3[illegible]
DM	3[illegible]	4
FFr	8[illegible]	8[illegible]
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6½
6-month US$	6⅝	6½
US Fed Funds	6¼*	6⅛
US 3-month CDs	6.10*	6.375
US 3-month T-bills	5.675*	5.81

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar 30 June	97–29	98–25	97–26	99–22
US Treasury Bills (IMM) $1m points of 100%				
June	94.24	94.28	94.22	94.33
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.28	93.33	93.27	93.45
20-year Notional Gilt £50,000 32nds of 100%				
March	122-01	123-12	121-26	123-28

US BONDS

Treasury

	March 30 Price	March 30 Yield	Prev Price	Prev Yield
6⅞ 1989	99[illegible]	6.595	99[illegible]	6.426
7¼ 1994	99[illegible]	7.124	99[illegible]	7.041
7¼ 1996	98[illegible]	7.50	100[illegible]	7.224
7¼ 2016	96[illegible]	7.81	99[illegible]	7.559

Source: Harris Trust Savings Bank

Treasury Index

March 30

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.28	6.93	–0.03
1–10	154.63	+0.12	6.68	–0.03
1–3	144.03	+0.07	6.37	–0.03
3–5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	March 30 Price	March 30 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.825	6.0	94.23	5.85
SCBT South Central 10⅞ Jan 1993	104.875	9.78	105.25	9.70
Phibro Sal 8 April 1996	98.75	8.20	99.75	8.04
TRW 8⅞ March 1996	102.75	8.31	103.625	8.17
Arco 9⅞ March 2016	110.50	8.84	113.0	8.64
General Motors 8⅝ April 2016	92.0	8.90	94.125	8.68
Citicorp 9⅝ March 2016	98.75	9.50	101.25	9.25

Source: Salomon Brothers

** Latest available figures*

EUROPE

Weak dollar spurs profit-taking

THE DOLLAR'S slide and Wall Street's poor showing on Friday encouraged European investors to take profits following the markets' relative strength last week, leaving *prices generally lower.*

Frankfurt fell back in dull trade as investors awaited this week's flush of banking results with caution. The Commerzbank index, however, which is calculated at mid-session, failed to reflect the market's late softness and gained 13.4 at 1,792.8.

News that the dollar's fall had contributed to BASF's profits tumbling 13.6 per cent in 1986 pulled its stock down DM 8 to DM 268 and put pressure on other chemicals. Bayer lost DM 2.90 to DM 304.60 while Hoechst was DM 4.70 off at DM 272.60.

Last week's high-flying blue chips were badly hit. Daimler lost DM 15 to DM 1,003 while Deutsche Bank was DM 6 down at DM 671. Among other car stocks, BMW fell back DM 1 to DM 519, but VW firmed by DM 2 to DM 353 despite reports that management knew a year ago about recently reported currency trading losses.

Mannesmann, the engineering stock, lost DM 1 to DM 170 amid news it was to buy an indirect majority stake in car part maker Fichtel and Sachs. In the sector, MAN was DM 1.30 off at DM 173.30, and KHD lost DM 1.70 to DM 146.80.

Retailers Karstadt and Kaufhof firmed, by DM 1.70 to DM 423.20 and by DM 2 to DM 471, respectively.

Bonds eased amid profit-taking in moderate trade. The Bundesbank bought DM 54.4m of paper, against sales of DM 61.5m on Friday.

Brussels was sharply lower as local traders continued to take profits. Insurers fared badly, with AG of BFr 450 at BFr 5,550 and Royale Belge, despite news of a 47 per cent rise in profits for 1986, down BFr 490 to BFr 5,550. Dealers said the fall reflected belief that French insurer AXA, which holds 20 per cent of the Belgian group, had stopped buying Royale Belge stock.

Holding companies also weakened, Sofina by BFr 550 to BFr 13,850. Industrials also lost ground. Solvay was BFr 150 down at BFr 9,750, glassmaker St Roch BFr 190 down at 5,050 and metal processors Vieille Montagne and Metal Hoboken lost BFr 310 to BFr 5,370 and BFr 170 to BFr 6,950, respectively.

Paris *also slipped back from last* week's heights under the influence of Friday's fall on Wall Street and falls in Far Eastern markets.

Dumez was among the leading declines, off FFr 101 at FFr 2,384. Lyonnais des Eaux slipped FFr 69 to FFr 1,721.

Avions Dassault, however, moved against the trend to add FFr 60 to FFr 1,320.

Zurich lost ground in most sectors as dealers worried about the

Among the faltering blue chips, chemical Sandoz bearer shares lost SFr 100 to SFr 11,400 while pharmaceutical stock Hoffmann-La Roche 1/10 fell SFr 125 to SFr 13,750.

Banks were weak, Crédit Suisse losing SFr 60 to SFr 3,600, Bank Leu dropping SFr 75 to SFr 3,325 and Suisse Volksbank down SFr 15 at SFr 2,135. Suisse Bank, however, added SFr 1 to SFr 470.

Insurers followed banks lower.

Amsterdam eased slightly, largely due to the dollar's weakness. Accordingly, prices of internationals fared badly, with Unilever down Fl 6.80 at Fl 577.00, Royal Dutch Fl 8.10 off at Fl 240.00 and Philips 80 cents lower at Fl 49.30. Chemical Akzo lost Fl 1.40 to Fl 143.60.

Aircraft manufacturer Fokker continued to fall losing Fl 2.50 to Fl 49.00, in the wake of Friday's announcement of a 38 per cent drop in 1986 profits.

Milan was marginally lower due to profit-taking and concern over the impasse in the country's governmental crisis. Fiat mirrored the trend, shedding L80 to L12,620, with blue chips Montedison and Olivetti also down, by L15 at L2,830, and L110 at L12,950, respectively.

Eridania, the Ferruzzi group's sugar company, rose L16 to L4,750 in the wake of last week's news that 1986 earnings had almost doubled.

Snia BPD lost L12 to L4,799 despite having announced an 11 per cent rise in pre-tax profits at the weekend.

Madrid firmed, led by advances among utilities and banks. Blue-chip Telefónica, however, shed ½ a percentage point to 188½ per cent of nominal market value.

Stockholm closed lower on profit-taking and on a rumour, later denied by Finance Minister Mr Kjell-Olof Feldt, that the Government planned freezing dividends at last year's levels.

Ericsson was the biggest faller among blue chips, losing SKr 10 to SKr 266 amid news that the Wallenberg group had boosted its stake in the group from 28.9 to 37.5 per cent. Volvo was also SKr 10 lower at SKr 316.

Oslo eased slightly across the board. Norsk Data led falls, closing NKr 7 down at NKr 246.50 on its non-voting 'B' shares.

LONDON

THE HEAVY fall in Tokyo share prices and the early losses on Wall Street together helped to push London equity prices to their largest recorded daily fall in index point terms.

The FT-SE 100 index lost 46.1 to 2,002.5, having recovered from a brief dip below the 2,000-mark scaled only a fortnight ago. The FT Ordinary index was 38.4 lower at 1,582.2.

Major exporters were hit by concern over political tensions surrounding Japanese trade policies, with pharmaceuticals among the heaviest fallers.

Further selling is expected later in the week with the close of market trading account spanning the end of the fiscal year. This is likely to prompt sales from private investors with profits on their portfolios.

British government bonds also weakened significantly, losing *more than a point on the day.* Gilts were particularly affected by the dollar's fall and the attendant spectre of a rise in US interest rates. Details Page 48.